



Audit Committee

Wednesday 20 March 2013 at 7.30 pm

Committee Room 4, Brent Town Hall, Forty Lane,
Wembley, HA9 9HD

Membership:

Members

Councillors:

Stephen Wood (Chair)

Al-Ebadi

Cummins

Van Kalwala

first alternates

Councillors:

S Choudhary

Ashraf

Harrison

second alternates

Councillors:

Pavey

Green

Hector

For further information contact: Joe Kwateng, Democratic Services Officer
(020) 8937 1354, joe.kwateng@brent.gov.uk

For electronic copies of minutes, reports and agendas, and to be alerted when the minutes of this meeting have been published visit: www.brent.gov.uk/committees

The press and public are welcome to attend this meeting

Agenda

Introductions, if appropriate.

Apologies for absence and clarification of alternate members

Item	Page
1 Declarations of personal and prejudicial interests	
Members are invited to declare, at this stage of the meeting, any relevant financial or other interest in the items on this agenda.	
2 Minutes of the previous meeting	1 - 8
3 Matters arising	
4 Deputations	
5 External audit plan 2012-13	9 - 38
This reports supplements KPMG's Audit Fee Letter which was presented to the Committee in August 2012 and describes how KPMG will deliver audit work for the Council.	
6 Annual governance report - progress on action plan	39 - 46
This report sets out progress against the recommendations in the Annual Governance Report. An appendix to this report is attached.	
Ward affected: All Wards	Contact Officer: Mick Bowden, Deputy Director of Finance Tel: 020 8937 1460 mick.bowden@brent.gov.uk
7 Treasury management strategy 2013-14	47 - 60
This report attaches the Treasury Management Strategy for 2013/14 for members' information. The attachment is an extract from the Budget report approved by the Council on 25 February 2013.	
Ward affected: All Wards	Contact Officer: Mick Bowden, Deputy Director of Finance Tel: 020 8937 1460 mick.bowden@brent.gov.uk

8 Internal audit progress report 61 - 84

This report summaries the work of Internal Audit and the Investigations Team from 1 April 2012 to 28 February 2013. The attached report provides further details of this together with assurance ratings of reports issued.

An appendix to this report is attached.

Ward affected: **Contact Officer:** Mick Bowden,
Deputy Director of Finance

All Wards Tel: 020 8937 1460 mick.bowden@brent.gov.uk

9 Corporate risk register 85 - 94

This report presents the council's current Corporate Risk Register following review by the Corporate Management Team (CMT).

An appendix to this report is attached.

Ward affected: **Contact Officer:** Mick Bowden,
Deputy Director of Finance

All Wards Tel: 020 8937 1460 mick.bowden@brent.gov.uk

10 Anti-fraud and bribery policy 2012 95 - 126

This report seeks approval for the council's new Anti-Fraud and Bribery Policy and for the roll out of an e-learning package developed for the National Fraud Authority by Deloitte.

An appendix to this report is attached.

Ward affected: **Contact Officer:** Mick Bowden,
Deputy Director of Finance

All Wards Tel: 020 8937 1460 mick.bowden@brent.gov.uk

11 Draft internal audit plan 127 -
152

This report sets out the Draft Internal Audit Plan (the Plan) for 2013/14 and the basis on which the plan has been formulated.

An appendix to this report is attached.

Ward affected: **Contact Officer:** Mick Bowden,
Deputy Director of Finance

All Wards Tel: 020 8937 1460 mick.bowden@brent.gov.uk

12 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.

13 Date of next meeting

The date of next meeting will be confirmed after the Annual Council meeting on 16 May 2013.



- 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



LONDON BOROUGH OF BRENT

MINUTES OF THE AUDIT COMMITTEE Wednesday 9 January 2013 at 7.30 pm

PRESENT: Mr Stephen Wood (Chair) and Councillors Al-Ebadi, Cummins and Van Kalwala

Also present: Councillor S Choudhary

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

None declared.

2. **Deputations**

None received.

3. **Minutes of the previous meeting**

RESOLVED:-

that the minutes of the previous meeting held on 27 September 2012 be approved as an accurate record of the meeting.

4. **Matters arising**

Schools audit reports

Simon Lane, Head of Audit and Investigations, reported that on advice of the Director of Legal and Procurement he had sent school audit reports for 6 schools to the governors as requested by the Committee. He cautioned that all school audit reports were meant to be confidential and should be treated as such and should not be discussed with the press and public. He undertook to send out the rest of the audits in batches as and when they were reported on. The Chair added that issues of conflict arising from the audit reports should be discussed with either Simon Lane or the Director of Legal and Procurement.

Councillor Cummins enquired about any remedial steps being taken by officers to ensure that those schools were addressing the problems highlighted in the audit reports. Simon Lane responded that an action plan with which to address the problems with recommendations was also sent to each school. The implementation of the action plans was being monitored and would be reviewed within 12 months.

Copland Community School

Councillor Al-Ebadi sought an update on the financial irregularities at Copland Community School. Simon Lane confirmed that the Crown Prosecution Service (CPS) was satisfied that there was sufficient evidence to charge six former employees of the school with conspiracy to defraud. They would all stand trial later this year.

5. **KPMG External audit progress report 2012-13**

Members received a report by the Council's external auditors (KPMG) which set out the external audit progress report covering 2011/12 grant claims and certification work. Andrea White, Director of KPMG LLP, introduced the report which also highlighted the areas of work which KPMG would focus for the next quarter.

Andrea White informed Members that since being appointed as the Council's external auditor in September 2012, KPMG had prepared an annual report that set out the results of the 2011/12 grant claims and certification work, commenced planning for 2012/13 accounts audit and responded to a letter that raised concerns over changes in senior management. She continued that over the next quarter, her work would focus on the following;

- (a) Finalising the planning for the 2012/13 financial statements and value for money audits;
- (b) Preparing the 2012/13 Audit Plans for the Council and its Pension Fund for presentation at the Audit Committee on 20 March 2013;
- (c) Planning our interim accounts audits which would provide assurance over the key financial controls supporting the production of financial information for inclusion within the Council's 2012/13 financial statements. The interim fieldwork would commence in March 2013;
- (d) Discussing with officers the arrangements for the opinion audit visit including the working papers that the Council would be expected to prepare to support the financial statements audit so as to maximise the efficiency of the audit progress.

Andrea White advised Members that the audit fee for the year had been reduced by about 40% due to officer efficiency, outsourcing of the Audit Commission's in-house audit practice and internal savings, drawing members' attention to the comparative table of scale of fees for 2011/12 and 2012/13.

In clarifying the fee, Andrea White stated that it was contingent on several factors and assumptions including the following; an obligation on the Council to inform KPMG of any significant developments impacting on the audit; compliance of internal audit with appropriate professional standards; and appropriate work on all systems that provide material figures for the financial statements upon which KPMG can place reliance on them for its audit. In addition, officers would be expected to provide good quality working papers and records at the start of the final accounts audit, make available for audit all financial statements in line with the agreed timescales and prompt responses to queries and draft reports. She continued that within the fee level, KPMG would not be required to carry out additional work for any special investigations or respond to letters from members of the public. If this was not the case and KPMG was required to complete more work than was

envisaged, an additional fee would be charged for the work carried out. She emphasised that KPMG had also assumed that there would be no significant changes to the regulatory framework within which the Council operated.

Andrea White advised members that the plan for the audit of the 2012/13 financial statements detailing the risks identified, planned audit procedures, and any changes in fee would be presented at the Audit Committee meeting on 20 March 2013.

In welcoming the audit progress report, members noted that the efficiency of the Council's internal audit had in part contributed to the successful and noteworthy external audit and praised officers for their contribution. Councillor Al-Ebadi enquired as to whether there were hourly rates upon which the fee structure was based. Andrea White clarified that the fee structure was based on the Audit Commission's published hourly and fee scale rates.

RESOLVED:

that the external auditor's progress report for 2012-2013 be noted.

6. **Certification of grants and returns 2011-12**

The Committee received a report that summarised the results of work on the certification of the Council's 2011/12 grant claims and returns. Mr Stephen Lucas, Senior Manager KPMG, in setting the background to the report clarified that the certification work, with the exception of the housing and council tax benefit scheme claim ('the housing benefits claim') was performed by the Audit Commission as the appointed auditor for 2011/12 and completed by 31 October 2012. He continued that work on the housing benefits claim was split between the initial testing phase which was performed by the Audit Commission and the completion and reporting phase, which was performed by KPMG.

Members learnt that five returns relating to 2011/12 with a total value of £490 million had been certified and that the Audit Commission had issued unqualified certificates for four grants and returns. KPMG issued a qualification letter in respect of the housing benefits claim. He added that with fewer errors identified and one qualified certificate, this represented improvements in the accuracy and completeness of information provided for audit in 2011/12. Mr Lucas continued that overall, the Council had good arrangements in place for preparing grants and returns and no significant system weaknesses or issues of non-compliance with grant scheme requirements were identified that required to be addressed.

Mr Lucas informed the Committee that the fee for completing the grant certification work for 2011/12 was under £70,000, representing a reduction in the original estimate of £82,000. He attributed the lower fee to fewer claims that required certification and effective responses to audit queries. He drew members' attention to the recommendations given to each risk rating and what action management would need to take to address the risk.

Councillor Van Kalwala enquired as to whether KPMG had identified the sources of the risks and whether any robust system had been put in place to address the number of cases that may come through. Andre White responded that the increase

in demand for services coupled with reduced funding and reserves was putting pressure on staff and in some cases controls and risks already in place were not being complied with. Simon Lane added that additional resources had been made available to the Assistant Director of Customer Services who was fully conversant with the risks and was developing robust systems to address them.

In reference to recent publications by the Audit Commission on “improving council’s decision making on reserves, the Committee noted that whilst reserves helped councils to cope with unpredictable financial pressures and plan for their future spending commitments, a greater clarity was required from councils about the reasons for and the levels of the reserves. With that in mind it was agreed that this would be raised with members of the Budget and Finance Overview and Scrutiny Committee for their consideration. The Committee also emphasised the need for the Assistant Director of Customer Services to maintain a good grip on the risks identified.

RESOLVED:

- (i) that the external auditor’s report on certification of grants and returns 2011-12 be noted;
- (ii) that officers raise with members of the Budget and Finance Overview and Scrutiny Committee, greater clarity about the reasons for and the levels of the Council’s reserves.

7. Annual Governance report - progress on action plan

Mick Bowden, Deputy Director of Finance and Corporate Services introduced the report which set out progress against the recommendations in the Annual Governance Report (AGR). He informed members that progress on the five of the recommendations which related specifically to the Statement of Accounts continued to be positive with the actions being embedded in the planning for the closure of the 2012/13 accounts. The remaining recommendations were closely related to the challenging financial climate within which the Council operated coupled with the need to ensure adequate reserves, meet the demand for school places and deliver procurement savings. He then gave an account of progress against each recommendation (Rec).

Rec	Progress
1	The central finance team resource had been strengthened through internal appointment to two qualified accountant posts and planning for 2012/13 closedown, including resource allocation, currently underway.
2	The update of the asset register incorporating changes and software updates to the system was scheduled for completion by the end of January.
3	Eight recommendations have been implemented, eight were in progress and one was no longer relevant due to changes arising from project Athena.
4	A proposed approach had been developed and shared with the auditors.

5	Review meetings have been held with each individual finance team to identify areas for improvement. The outcome of these was being incorporated into the planning for 2012/13 closedown
6	The position regarding Single Fraud Investigation Service had now been clarified by the DWP and a revised framework was expected to be available for approval by the Audit Committee at its meeting in February.
7	Latest budget monitoring for 2012/13 indicated that the planned reserves increase of £1m would be delivered
8	Training in 'procurement and contract performance management' now being delivered across the organisation has received positive feedback. 'E-procurement' was scheduled for go live in August 2013. 'Additional operational savings through procurement activity' made.
9	An updated report on progress in delivering school places would be presented to Executive in January 2013. The report recognised the need to continue to look at alternative options for funding school places in recognition of the significant resource challenges involved.
10	Risk registers continued to be reviewed by service areas and by internal audit. The key risks were submitted to PCG in accordance with the quarterly schedule.

The Head of Audit and Investigations added that he would update the progress report to include provisions of the Bribery Act to ensure that a more robust system was in place.

Councillor Al-Ebadi informed the Committee that he believed the tendering process in Brent which involved the opening of tenders by two officers was open to abuse. Prior to raising the issue he declared that he had an interest in a particular matter in which his company was bidding. He referred in particular to disposals of land and real estate where he alleged that it may be possible for officers to give information on prices to prospective bidders. Although he had no direct evidence of this he said if it was the case it would constitute fraudulent practices which needed investigating.

Andrea White highlighted the need for the Council to give to her auditing team, a clear understanding of the measures it planned to put in place to deal with suspected fraud cases and comply with the Bribery Act. She added that the process that may result from the measures could give rise to increased auditing work to ensure that no material fraud was involved. If additional was undertaken, KPMG would have to charge additional fee to reflect the work carried out.

The Chair suggested that the Head of Audit and Investigation arrange a meeting involving the Director of Legal and Procurement, Head of Corporate Property and Councillor Al-Ebadi to look into the allegation made by the councillor about fraudulent tendering practices. Members noted that KPMG would submit their action plan to the next meeting.

RESOLVED:

- (i) that the progress on Annual Governance report be noted;
- (ii) that the Head of Audit and Investigation arrange a meeting involving the Director of Legal and Procurement, Head of Corporate Property and

Councillor Al-Ebadi to look into the allegation made by the councillor about fraudulent tendering practices.

8. 2012-2013 Mid-year treasury report

Members received a report which provided an update on the summary of treasury management activity during the first half of 2012/13. Mick Bowden, Deputy Director, provided a view of the falling growth rates in Europe and particularly in the UK which had kept inflation under control. He added that short-term money market rates had remained at very low levels and that the UK Bank Rate which had been maintained at 0.5% since March 2009 was not expected to rise until 2015/2016.

The Deputy Director informed the Committee that Brent had been accepted to receive the "Certainty Rate" which would enable "eligible authorities" to access cheaper loans from the Public Works Loans Board (PWLB). This would give a further boost to provide robust forecasts on borrowing plans. Members heard that despite the availability of alternative sources of long-dated funding PWLB was more advantageous and in this year, two long term loans of £10m each had been raised from that source. The average cash balances, representing the Council's reserves and working balances, were £95m during the period.

In respect of deposits at Icelandic Banks, members noted that following the decision of the Icelandic Supreme Court, Brent had recovered £4m out of £5m deposited with Glitnir Bank. With almost £7.5m recovered to date and a further £0.5-£0.8m expected by 31 March 2013, over £9m of the £10m deposited with Heritable would have been recovered in all. Members heard that the distribution currencies were being held in Icelandic kroner, pending the lifting of exchange controls.

Councillor Cummins suggested that as all local authorities had accepted the ruling and the distribution of the deposits, it would be prudent for this Council to request the Icelandic authorities to release our deposits back to help boost the level of our reserves. The Deputy Director advised that as the deposits were part of our investments and therefore our overall net worth, they did form part of the Council's reserves. The Chair enquired as to why the level of usable reserves projected to March 2015 was on a reducing balance. The Deputy Director emphasised that this related to earmarked reserves being used as planned and that the Council took a prudent view of cash reserves in future years.

RESOLVED:

that the 2012/2013 mid-year treasury report be noted.

9. Internal audit progress report

Members considered a report from the Deputy Director of Finance which summarised the work of Internal Audit and the Investigations Team I including the assurance opinions awarded and any high priority recommendations from 1 April 2012 to November 30 2012.

Simon Lane, Head of Audit and Investigations reported on a range of audits that had been undertaken since the last meeting, comprising both financial and non-financial systems, some One Council Projects and work across the schools. He continued that as part of the rolling programme, all recommendations were being followed-up with management, as and when the deadlines for implementation passed. Members heard about progress made in housing benefit, blue badge and internal fraud.

Phil Lawson, Sector Manager (Deloitte) added that he was satisfied with the amount of co-operation received from officers and the progress made by the Council as a whole. The Committee's attention was drawn to the list of areas within the final reports issued since the last meeting, together with recommendations, management responses, deadline for implementation and progress made.

RESOLVED:

that the progress made in achieving the 2012/13 Internal Audit Plan and the review of fraud work be noted.

10. **Risk register update**

The report before members presented an updated version of the Council's Corporate Risk Register. Simon Lane, Head of Audit and Investigations highlighted the key strategic risks, impact and measures being put in place to control them. Members heard that the proposed welfare reforms coupled with the impact of current economic climate could increase demand for housing and homelessness and to control that a cross council project board together with smaller delivery teams had been set up to take forward a detailed action plan. Other corporate risks spotlighted included the rising demand for school places as a result of demographic changes and the rising costs of looked after children. The Committee heard from Aina Uduehi, Audit Manager, that departmental management teams (DMTs) were demonstrating a greater understanding of and engagement with corporate risks.

The Chair noted that more risks were being added to the register, an indication that active interest was being taken, however, he enquired as to the process for dealing with underlying corporate risks. Simon Lane explained that a document setting out identified risks were circulated on quarterly basis to members of the corporate management team (CMT) from which an action plan was put in place to control them. He added that the next update to the register would be made in June 2013.

RESOLVED:

that the Council's updated corporate risk register be noted.

11. **Internal audit contract 2013-2015**

Members received a report that advised of the proposals to recommend to the Executive that the council enter into a contract with the London Borough of Croydon for the provision of internal audit services for a two year period from April 2013 to March 2015. Simon Lane, Head of Audit and Investigations informed members that there had been no issues with the performance of the existing two year

contract with “Croydon Framework”. He added that the anticipated cost of this contract over two years, including inflationary uplift would be £590,000.

Members indicated that they would have preferred an opportunity to consider the options prior to the matter going to Executive as they should be endorsing the approach and that their endorsement should be noted in the Executive report.

RESOLVED:

that the contract with Croydon Framework be noted with an amendment to include the committee’s endorsement.

12. **Any other urgent business**

None.

13. **Date of next meeting**

The next meeting will be held on Wednesday 20 March 2013 at 7:30pm.

The meeting closed at 9.20 pm

S WOOD
Chair



cutting through complexity™

External Audit Plan 2012/13

Page 9

London Borough of Brent

February 2013



Agenda Item 5

The contacts at KPMG in connection with this report are:

Andrea White

Director

KPMG LLP (UK)

Tel: 020 7311 2238

andrea.white@kpmg.co.uk

Steve Lucas

Senior Manager

KPMG LLP (UK)

Tel: 020 7311 2184

stephen.lucas@kpmg.co.uk

Jonathan Ware

Assistant Manager

KPMG LLP (UK)

Tel: 020 7311 2283

Jonathan.ware@kpmg.co.uk

Report sections

■ Introduction	2
■ Headlines	3
■ Our audit approach	5
■ Key financial statements audit risks	11
■ VFM audit approach	14
■ Audit team, deliverables, timeline and fees	19

Appendices

1. Balance of internal controls and substantive testing	25
2. Independence and objectivity requirements	25
3. Quality assurance and technical capacity	26

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

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

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Andrea White, the appointed engagement lead to the Council, who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk, who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, Westward House, Lime Kiln Close, Stoke Gifford, Bristol, BS34 8SR or by email to complaints@audit-commission.gov.uk. Their telephone number is 0844 798 3131, textphone (minicom) 020 7630 0421.

This document describes how we will deliver our audit work for London Borough of Brent.

Scope of this report

We are pleased to be appointed as your external auditors for 2012/13. This document supplements our *Audit Fee Letter 2012/13* presented to you in August 2012. It describes how we will deliver our financial statements audit work for London Borough of Brent ('the Council'). It also sets out our approach to value for money (VFM) work for 2012/13.

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

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

Statutory responsibilities

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

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

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

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

Audit planning

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

We will follow this up with a meeting with the finance team to discuss our requirements and any other queries.

Structure of this report

This report is structured as follows:

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

Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

We have identified a number of significant risks that we will focus on during the audit of the 2012/13 financial statements.

These are described in more detail on pages 11 to 13.

The remainder of this document provides information on our:

- approach to the audit of the financial statements;
- approach to VFM work; and
- audit team, proposed deliverables, timescales and fees for our work.

Area	Significant Risks	Audit work
Property plant and equipment	<p>The potential for impairments and valuation changes makes this balance inherently risky due to the high level of judgement and estimation uncertainty. Changes in valuation of often very significant. This is a particular risk in the current economic environment.</p> <p>This is also a complex area of accounting, due to the impact of capital financing on the accounting transactions.</p>	<p>We will review the controls the Council has in place to determine its property plant and equipment balances, including instructions and information provided to the Council's property valuer.</p> <p>We will agree the property plant and equipment balances to the valuers report.</p>
Pension liability and pension costs	<p>Pension liabilities require a significant level of expertise, judgement and estimation and are therefore more susceptible to error. Pension costs are a judgement area driven by actuarial techniques.</p> <p>These are both very complex accounting area.</p>	<p>We will review the controls the Council has in place to determine its pension balances, including instructions and information provided to the Council's actuary.</p> <p>We will agree the closing pension liability and pension costs to the actuarial report.</p>
Private Finance Initiative	<p>The Council has three Private Finance Initiative (PFI) schemes including one to provide and maintain social housing and replacement residential facilities for people with learning disabilities. This scheme is complex and has three phases with further assets being brought onto the balance sheet this year.</p> <p>Accounting for the scheme will be complex and judgement areas will include the assumptions and other factors built into the financial model for the scheme.</p>	<p>We will review the arrangements that the Council has put in place to determine the accounting entries and disclosures required in the financial statements for the PFI scheme.</p> <p>We will test the accounting entries back to supporting documentation.</p>

We have also identified two other risks that we will focus on during the audit of the 2012/13 financial statements.

These are described in more detail on pages 11 to 13.

We have identified one key risk to our value for money conclusion that we will focus on this year.

Area	Other key risks	Audit work
Changes to the Code	<p>The Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (“the Code”) includes key changes for:</p> <ul style="list-style-type: none"> ■ Housing Revenue Account; ■ Carbon Reduction Commitment; and ■ Exit Packages. <p>The Council will need to ensure that these items are accounted for in its 2012/13 financial statements appropriately.</p>	<p>We will review the arrangements that the Council has put in place to account for these items in its financial statements.</p> <p>We will perform tests of detail focusing on the material accounting entries and disclosures required in the financial statements for these items.</p>
Office move and new IT system	<p>The Council’s finance department has two major challenges during the period the financial statements are audited – they are due to move offices and new financial systems are due to be operational from 1 August 2013.</p> <p>While plans are being made as to how the workload is managed, the Council will need to ensure that the quality of its financial statements, working papers and responses to audit queries do not suffer.</p>	<p>We will discuss arrangements and timetabling with officers and plan our work wherever possible to help avoid any “bottlenecks”.</p> <p>If there are any problems with working papers or response times, we will inform the Deputy Director of Finance immediately.</p>

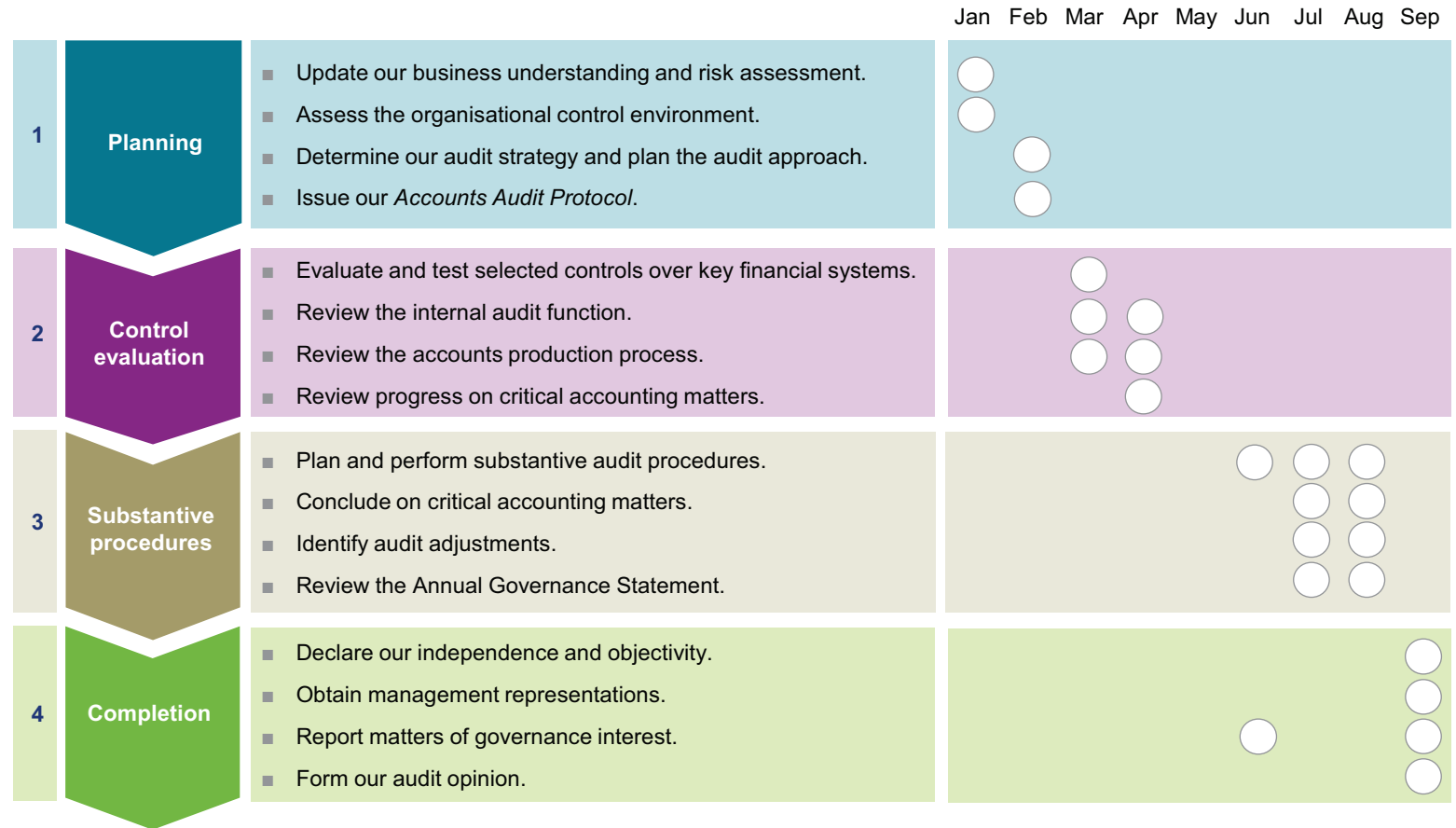
During our value for money work we will focus on.

Area	Key risks	Audit work
Savings plans	<p>As at 30 November 2012, the Council is forecasting an underspend of £795,000 against its 2012/13 budget. This includes delivering a savings programme totalling £12m.</p> <p>The Council currently estimates that another £7m in savings will need to be achieved during 2013/14 to address the further reductions to local authority funding. Against a backdrop of continued demand pressures across all areas, especially in adult services, it will become more and more difficult to deliver these savings in a way that secures longer term financial and operational sustainability.</p> <p>If there are any related liabilities at year end, these will need to be accounted for in the 2012/13 financial statements as appropriate.</p>	<p>We will critically assess the controls the Council has in place to ensure a sound financial standing, specifically that its Medium Term Financial Plan has duly taken into consideration the potential funding reductions and that it is sufficiently robust to ensure that the Council can continue to provide services effectively. We will also review how the Council is planning and managing its savings plans.</p> <p>As part of our financial statements audit we will review the Council's assessment of any potential liabilities arising from its savings plans against the Code.</p>

We undertake our work on your financial statements in four key stages during 2013:

- **Planning**
(January to February).
- **Control Evaluation**
(March to April).
- **Substantive Procedures**
(July to August).
- **Completion** (September).

We have summarised the four key stages of our financial statements audit process for you below:



During January and February 2013 we complete our planning work.

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

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

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

Our planning work takes place in January and February 2013. This involves the following aspects:

Planning

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

Business understanding and risk assessment

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

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

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

Organisational control environment

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

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

Audit strategy and approach

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

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

Accounts audit protocol

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

Your prior auditors met with the finance team to discuss mutual learning points from the 2011/12 audit. These will be incorporated into our work plan for 2012/13. We will revisit progress against areas identified for development as the audit progresses.

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

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

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

We will present our *Interim Report to the Audit Committee* in June.

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

Control Evaluation

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

Controls over key financial systems

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

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

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

Review of internal audit

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

Accounts production process

Your prior auditors raised a number of recommendations in their *Report to Those Charged with Governance (ISA 260 Report) 2011/12* relating to the accounts production process. These were to:

- Maintain sufficient capacity in the central finance team to enable the efficient preparation of the financial statements, particularly in technical areas such as asset and PFI accounting.
- Review the asset register prior to the closure of the 2012/13 accounts to remove spurious assets with no evidence of existence or ownership..
- Maintain close monitoring arrangements to ensure Internal Audit recommendations are implemented on a timely basis and internal controls are strengthened.
- Make arrangements to comply with the Council's policy on componentisation in future years.
- Continue to improve compliance with accounting disclosure requirements.

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

Critical accounting matters

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

Following our interim visit we will issue our Interim Report which will set out the findings of our planning and interim work. This will be discussed at the Audit Committee meeting in June 2013.

During July and August 2013 we will be on site for our substantive work.

We complete detailed testing of accounts and disclosures and conclude on critical accounting matters, such as specific risk areas. We then agree any audit adjustments required to the financial statements.

We also review the Annual Governance Statement for consistency with our understanding.

We will present our *ISA 260 Report to the Audit Committee* in September 2013.

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

Substantive Procedures

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

Substantive audit procedures

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

Critical accounting matters

We conclude our testing of the key risk areas as identified at the planning stage and any additional issues that may have emerged since. We will discuss our early findings of the Council's approach to address the key risk areas with the finance team in July and August 2013, prior to reporting to the Audit Committee in September 2013.

Audit adjustments

During our on site work, we will meet with the finance team on a weekly basis to discuss the progress of the audit, any differences found and any other issues emerging.

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

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

Annual Governance Statement

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

We report the findings of our final accounts work in our *ISA 260 Report*, which we will issue to Audit Committee in September 2013.

Pension Fund Annual Report

We also review and report on the financial statements included in the Pension Fund's Annual Report prepared under Regulation 34 of the Local Government Pension Scheme (Administration) Regulations 2008.

In addition to the financial statements, we also audit the Council's Whole of Government Accounts pack.

We may need to undertake additional work if we receive objections to the accounts from local electors.

We will communicate with you throughout the year, both formally and informally.

Whole of government accounts (WGA)

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

Elector challenge

The Audit Commission Act 1998 gives electors certain rights. These are:

- the right to inspect the accounts;
- the right to ask the auditor questions about the accounts; and
- the right to object to the accounts.

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

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

We have received a letter raising concerns around overall arrangements in place for the departure and appointment of senior officers. After initial consideration and discussion with Council officers, we are carrying out an additional piece of work on the risks raised around this process and have shown this as an additional audit fee in section 6. The findings will be considered as part of our VFM conclusion work.

Reporting and communication

Reporting is a key part of the audit process, not only in communicating the audit findings for the year, but also in ensuring the audit team are accountable to you in addressing the issues identified as part of the audit strategy. Throughout the year we will communicate with you through meetings with the finance team and the Audit Committee. Our deliverables are included on page 20.

Use of off-shore audit resources

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

Our independence and objectivity responsibilities under the Code are summarised in Appendix 2. We confirm our audit team's independence and objectivity is not impaired.

The KGS Audit team operates in a paperless environment and we apply robust processes to control how data is accessed and used:

- all work is conducted electronically;
- all data files are maintained on servers in the UK with restricted access and only viewed on screen in India. These servers are governed by established KPMG IT controls;
- policy and technology restrictions are in place to protect data, for example locked down USB ports, no external emailing, no printing;
- KGS Audit staff are based in an office with restricted access and security; and
- the team members adhere to global KPMG ethics and independence standards, along with requirements governing the non-disclosure of client information.

Independence and objectivity confirmation

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

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

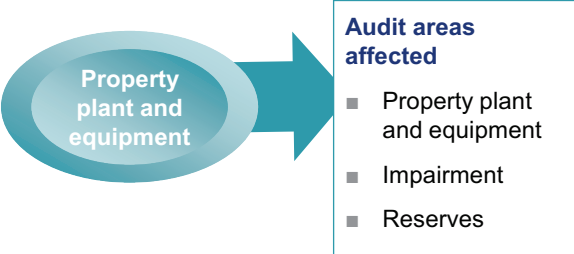
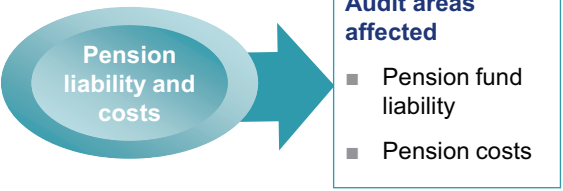
KPMG LLP is committed to being and being seen to be independent. APB Ethical Standard 1 Integrity, Objectivity and Independence requires us to communicate to you in writing all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place,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

Confirmation statement

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

For each significant or key risk area we have outlined the impact on our audit plan.

We will provide an update on how the Council is managing these risks in our *Interim Audit Report*.

Significant risks	Impact on audit
	<p>Risk</p> <p>The potential for impairments and valuation changes makes this balance inherently risky due to the high level of judgement and estimation uncertainty. Changes in valuation of often very significant. This is a particular risk in the current economic environment.</p> <p>This is also a complex area of accounting, due to the impact of capital financing on the accounting transactions.</p> <p>Our audit work</p> <p>We will review the controls the Council has in place to determine its property plant and equipment balances, including instructions and information provided to the Council's property valuer.</p> <p>We will agree the property plant and equipment balances to the valuer's report.</p>
	<p>Risk</p> <p>Pension liabilities require a significant level of expertise, judgement and estimation and are therefore more susceptible to error. Pension costs are a judgement area driven by actuarial techniques.</p> <p>These are both very complex accounting area.</p> <p>Our audit work</p> <p>We will review the controls the Council has in place to determine its pension balances, including instructions and information provided to the Council's actuary.</p> <p>We will agree the closing pension liability and pension costs to the actuarial report.</p>

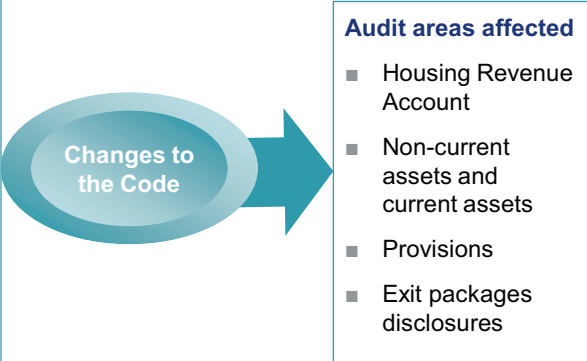
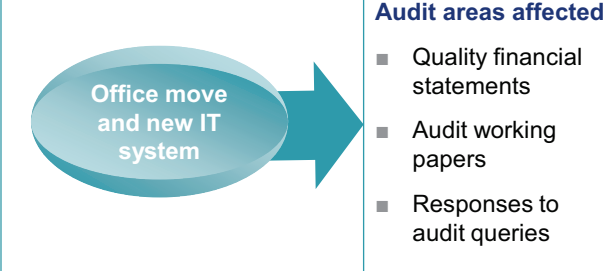
For each significant or key risk area we have outlined the impact on our audit plan.

We will provide an update on how the Council is managing these risks in our *Interim Audit Report*.

Significant risks	Impact on audit
<p>Audit areas affected</p> <ul style="list-style-type: none"> ■ Property, Plant and Equipment ■ Creditors ■ Disclosures 	<p>Risk The Council has three Private Finance Initiative (PFI) schemes including one to provide and maintain social housing and replacement residential facilities for people with learning disabilities. This scheme is complex and has three phases with further assets being brought onto the balance sheet this year.</p> <p>Accounting for the scheme will be complex and judgement areas will include the assumptions and other factors built into the financial model for the scheme.</p> <p>Our audit work We will review the arrangements that the Council has put in place to determine the accounting entries and disclosures required in the financial statements for the PFI scheme. We will test the accounting entries back to supporting documentation.</p>

For each significant or key risk area we have outlined the impact on our audit plan.

We will provide an update on how the Council is managing these risks in our *Interim Audit Report*.

Other key audit risks	Impact on audit
 <p>Audit areas affected</p> <ul style="list-style-type: none"> ■ Housing Revenue Account ■ Non-current assets and current assets ■ Provisions ■ Exit packages disclosures 	<p>Risk</p> <p>The Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (“the Code”) includes key changes for:</p> <ul style="list-style-type: none"> ■ Housing Revenue Account (HRA) – accounting for the HRA, in particular depreciation and impairments following the introduction of self-financing; ■ Carbon Reduction Commitment (CRC) – accounting for any assets or provisions to meet CRC responsibilities; and ■ Exit Packages – extended disclosure requirements for exit packages. <p>The Council will need to ensure that these items are accounted for in its 2012/13 financial statements appropriately.</p> <p>Our audit work</p> <p>We will review the arrangements that the Council has put in place to account for these items in its financial statements. We will perform tests of detail focusing on the material accounting entries and disclosures required in the financial statements for these items.</p>
 <p>Audit areas affected</p> <ul style="list-style-type: none"> ■ Quality financial statements ■ Audit working papers ■ Responses to audit queries 	<p>Risk</p> <p>The Council’s finance department has two major challenges during the period the financial statements are audited – they are due to move offices and new financial systems are due to be operational from 1 August 2013.</p> <p>While plans are being made as to how the workload is managed, the Council will need to ensure that the quality of its financial statements, working papers and responses to audit queries do not suffer.</p> <p>Our audit work</p> <p>We will discuss arrangements and timetabling with officers and plan our work wherever possible to help avoid any “bottlenecks”. If there are any problems with working papers or response times, we will inform the Deputy Director of Finance.</p>

Our approach to VFM work follows guidance provided by the Audit Commission.

Background to approach to VFM work

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

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

To provide stability for auditors and audited bodies, the Audit Commission has kept the VFM audit methodology unchanged from last year. There are only relatively minor amendments to reflect the key issues facing the local government sector.

The approach is structured under two themes, as summarised below.

Specified criteria for VFM conclusion	Focus of the criteria	Sub-sections
The organisation has proper arrangements in place for securing financial resilience .	The organisation has robust systems and processes to: <ul style="list-style-type: none"> ■ manage effectively financial risks and opportunities; and ■ secure a stable financial position that enables it to continue to operate for the foreseeable future. 	<ul style="list-style-type: none"> ■ Financial governance ■ Financial planning ■ Financial control
The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness .	The organisation is prioritising its resources within tighter budgets, for example by: <ul style="list-style-type: none"> ■ achieving cost reductions; and ■ improving efficiency and productivity. 	<ul style="list-style-type: none"> ■ Prioritising resources ■ Improving efficiency and productivity

We will follow a risk based approach to target audit effort on the areas of greatest audit risk.

Overview of the VFM audit approach

The key elements of the VFM audit approach are summarised below.



Each of these stages are summarised further below.

VFM audit stage	Audit approach
VFM audit risk assessment	<p>We consider the relevance and significance of the potential business risks faced by all local authorities, and other risks that apply specifically to the Council. These are the significant operational and financial risks in achieving statutory functions and objectives, which are relevant to auditors' responsibilities under the <i>Code of Audit Practice</i>.</p> <p>In doing so we consider:</p> <ul style="list-style-type: none"> ■ the Council's own assessment of the risks it faces, and its arrangements to manage and address its risks; ■ information from the Audit Commission's VFM profile tool and financial ratios tool; ■ evidence gained from previous audit work, including the response to that work; and ■ the work of the Audit Commission, other inspectorates and review agencies.

Our VFM audit will draw heavily on other audit work which is relevant to our VFM responsibilities and the results of last year's VFM audit.

We will then form an assessment of residual audit risk to identify if there are any areas where more detailed VFM audit work is required.

VFM audit stage	Audit approach
Linkages with financial statements and other audit work	<p>There is a degree of overlap between the work we do as part of the VFM audit and our financial statements audit. For example, our financial statements audit includes an assessment and testing of the Council's organisational control environment, including the Council's financial management and governance arrangements, many aspects of which are relevant to our VFM audit responsibilities.</p> <p>We have always sought to avoid duplication of audit effort by integrating our financial statements and VFM work, and this will continue. We will therefore draw upon relevant aspects of our financial statements audit work to inform the VFM audit.</p>
Assessment of residual audit risk	<p>It is possible that further audit work may be necessary in some areas to ensure sufficient coverage of the two VFM criteria.</p> <p>Such work may involve interviews with relevant officers and /or the review of documents such as policies, plans and minutes. We may also refer to any self assessment the Council may prepare against the characteristics.</p> <p>To inform any further work we must draw together an assessment of residual audit risk, taking account of the work undertaken already. This will identify those areas requiring further specific audit work to inform the VFM conclusion.</p> <p>At this stage it is not possible to indicate the number or type of residual audit risks that might require additional audit work, and therefore the overall scale of work cannot be easily predicted. If a significant amount of work is necessary then we will need to review the adequacy of our agreed audit fee.</p>
Identification of specific VFM audit work	<p>If we identify residual audit risks, then we will highlight the risk to the Council and consider the most appropriate audit response in each case, including:</p> <ul style="list-style-type: none"> ■ considering the results of work by the Council, other inspectorates and review agencies; and ■ carrying out local risk-based work to form a view on the adequacy of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

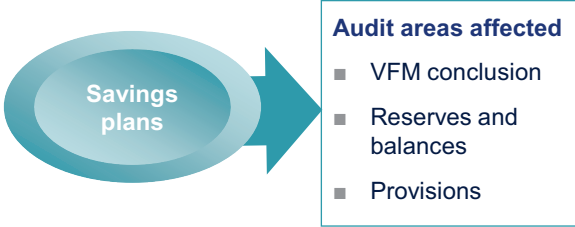
Where relevant, we may draw upon the range of audit tools and review guides developed by the Audit Commission.

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

VFM audit stage	Audit approach
Delivery of local risk based work	<p>Depending on the nature of the residual audit risk identified, we may be able to draw on audit tools and sources of guidance when undertaking specific local risk-based audit work, such as:</p> <ul style="list-style-type: none"> local savings review guides based on selected previous Audit Commission national studies; and update briefings for previous Audit Commission studies. <p>The tools and guides will support our work where we have identified a local risk that is relevant to them. For any residual audit risks that relate to issues not covered by one of these tools, we will develop an appropriate audit approach drawing on the detailed VFM guidance and other sources of information.</p>
Concluding on VFM arrangements	<p>At the conclusion of the VFM audit we will consider the results of the work undertaken and assess the assurance obtained against each of the VFM themes regarding the adequacy of the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources.</p> <p>If any issues are identified that may be significant to this assessment, and in particular if there are issues that indicate we may need to consider qualifying our VFM conclusion, we will discuss these with management as soon as possible. Such issues will also be considered more widely as part of KPMG's quality control processes, to help ensure the consistency of auditors' decisions.</p>
Reporting	<p>We will report on the results of the VFM audit through our <i>Interim Audit Report</i> and our <i>Report to those charged with governance</i>. These reports will summarise our progress in delivering the VFM audit, the results of the risk assessment and any specific matters arising, and the basis for our overall conclusion.</p> <p>The key output from the work will be the VFM conclusion (i.e. our opinion on the Council's arrangements for securing VFM), which forms part of our audit report.</p>

For each key risk area we have outlined the impact on our audit plan.

We will provide an update on how the Council is managing these risks in our *Interim Audit Report*.

Key audit risks	Impact on audit
	<p>Risk</p> <p>As at 30 November 2012, the Council is forecasting an underspend of £795,000 against its 2012/13 budget. This includes delivering a savings programme totalling £12m.</p> <p>The Council currently estimates that another £7m in savings will need to be achieved during 2013/14 to address the further reductions to local authority funding. Against a backdrop of continued demand pressures across all areas, especially in adult services, it will become more and more difficult to deliver these savings in a way that secures longer term financial and operational sustainability.</p> <p>If there are any related liabilities at year end, these will need to be accounted for in the 2012/13 financial statements as appropriate</p> <p>Our audit work</p> <p>We will critically assess the controls the Council has in place to ensure a sound financial standing, specifically that its Medium Term Financial Plan has duly taken into consideration the potential funding reductions and that it is sufficiently robust to ensure that the Council can continue to provide services effectively. We will also review how the Council is planning and managing its savings plans.</p> <p>As part of our financial statements audit we will review the Council's assessment of any potential liabilities arising from its savings plans against the <i>Code</i>.</p>

The previous auditors made a number of recommendations in their Annual Governance Report. The recommendations mainly impacting on the financial statements audit we have highlighted on page 7. As part of our work on the Value For Money conclusion we will consider what progress the Council has made against the following recommendations :

- review and update the Council's Anti-Fraud and Corruption Policy.
- continue to manage the financial position closely and build the level of the General Fund reserve.
- maintain a corporate focus to embed enhancements to its procurement arrangements and the commitment to ensure the savings associated with improved procurement are realised.
- continue to explore all options to meet the rising demand for school places in the borough.

Your audit team has been drawn from our specialist public sector assurance department.

Two of the key members of the team were all part of the London Borough of Brent audit last year.

Contact details are shown on page 1.

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



Andrea White
Director

“My role is to lead our team and ensure the delivery of a high quality external audit opinion. I will be the main point of contact for the Audit Committee and Executive Directors.”



Steve Lucas
Senior Manager

“I am responsible for the management, review and delivery of the whole audit and providing quality assurance for any technical accounting areas. I will work closely with Andrea White to ensure we add value. I will liaise the Deputy Director of Finance .”



Jonathan Ware
Assistant Manager

“I will be responsible for the on-site delivery of our work. I will liaise with the finance team and internal audit. I will also supervise the work of our audit assistants.”

At the end of each stage of our audit we issue certain deliverables, including reports and opinions.

Our key deliverables will be delivered to a high standard and on time.

We will discuss and agree each report with the Council's officers prior to publication.

Deliverable	Purpose	Committee dates
Planning		
External Audit Plan	<ul style="list-style-type: none"> Outline audit approach. Identify areas of audit focus and planned procedures. 	March 2013
Control evaluation		
Interim Report	<ul style="list-style-type: none"> Details and resolution of control and process issues. Identify improvements required prior to the issue of the draft financial statements and the year-end audit. 	June 2013
Substantive procedures		
Report to Those Charged with Governance (ISA 260 Report)	<ul style="list-style-type: none"> Details the resolution of key audit issues. Communication of adjusted and unadjusted audit differences. Performance improvement recommendations identified during our audit. Commentary on the Council's value for money arrangements. 	September 2013
Completion		
Auditor's report	<ul style="list-style-type: none"> Providing an opinion on your accounts (including the Annual Governance Statement). Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the VFM conclusion). 	September 2013
Annual Audit Letter	<ul style="list-style-type: none"> Summarises the outcomes and the key issues arising from our audit work for the year. 	November 2013

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

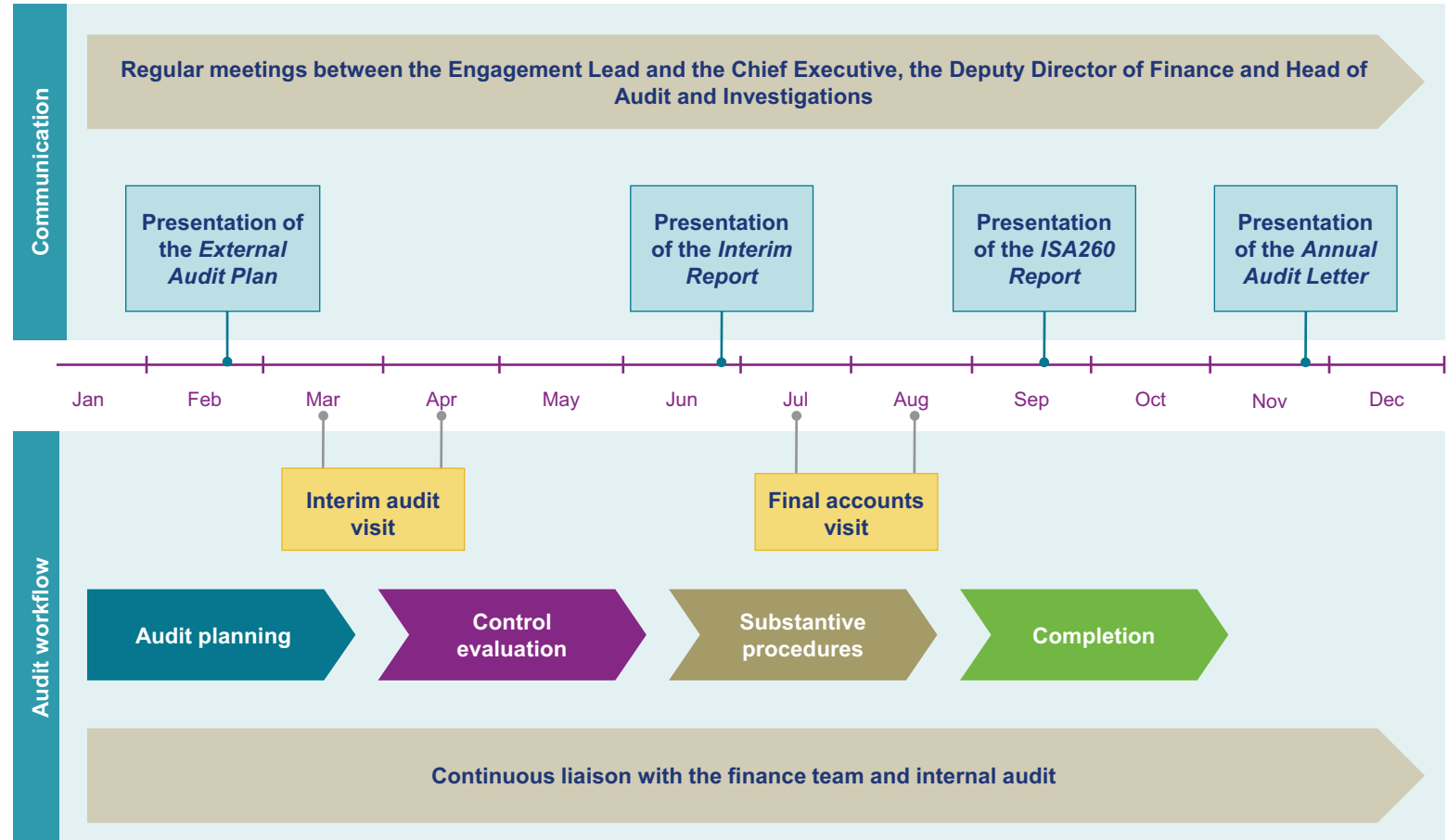
Key formal interactions with the Audit Committee are:

- March – Financial Statements Audit Plan;
- June – Interim Report;
- September – ISA 260 Report;
- November – Annual Audit Letter.

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

Our main work on site will be our:

- Interim audit visits during March and April.
- Final accounts audit during July and August.



The main fee for 2012/13 audit of the Council is **£275,520** and the fee for the Pension Fund is **£21,000**. The fees have not changed from that set out in our *Audit Fee Letter 2012/13* issued in August 2012.

Our audit fee remains indicative and based on you meeting our expectations of your support.

Meeting these expectations will help the delivery of our audit within the proposed audit fee.

Audit fee

Our *Audit Fee Letter 2012/13* presented to you in August 2012 set out our fees for the 2012/13. The fee was set for 2012/13 at £263,520. This is a reduction of 40 percent compared to the 2011/12 fee.

Since this letter we have identified a risk relating to the overall arrangements in place for the departure and appointment of senior officers. We have discussed this with officers and are completing a review of the arrangements. An additional fee of £12,000 has been agreed.

We have not considered it necessary to make any other changes to the agreed fees at this stage.

We have not considered it necessary to make any changes to the Pension Fund scale fee at this stage.

Our audit fee for the Council includes our work on the VFM conclusion and our audit of the Council's financial statements.

Element of the audit	2012/13 (planned)	2011/12 (actual)
Gross audit fee – Council	£275,520	£439,200
Gross audit fee – Pension Fund	£21,000	£35,000

Audit fee assumptions

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

- the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2011/12;
- you will inform us of any significant developments impacting on our audit;
- you will identify and implement any changes required under the *CIPFA Code of Practice on Local Authority Accounting in the UK 2012/13* within your 2012/13 financial statements;
- you will comply with the expectations set out in our *Accounts Audit Protocol*, including:
 - the financial statements are made available for audit in line with the agreed timescales;
 - good quality working papers and records will be provided at the start of the final accounts audit;
 - requested information will be provided within the agreed timescales;
 - prompt responses will be provided to queries and draft reports;
- internal audit meets appropriate professional standards;
- internal audit adheres to our joint working protocol and completes appropriate work on all systems that provide material figures for the financial statements and we can place reliance on them for our audit; and
- additional work will not be required to address questions or objections raised by local government electors.

Meeting these expectations will help ensure the delivery of our audit within the agreed audit fee.

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

Changes to the audit plan

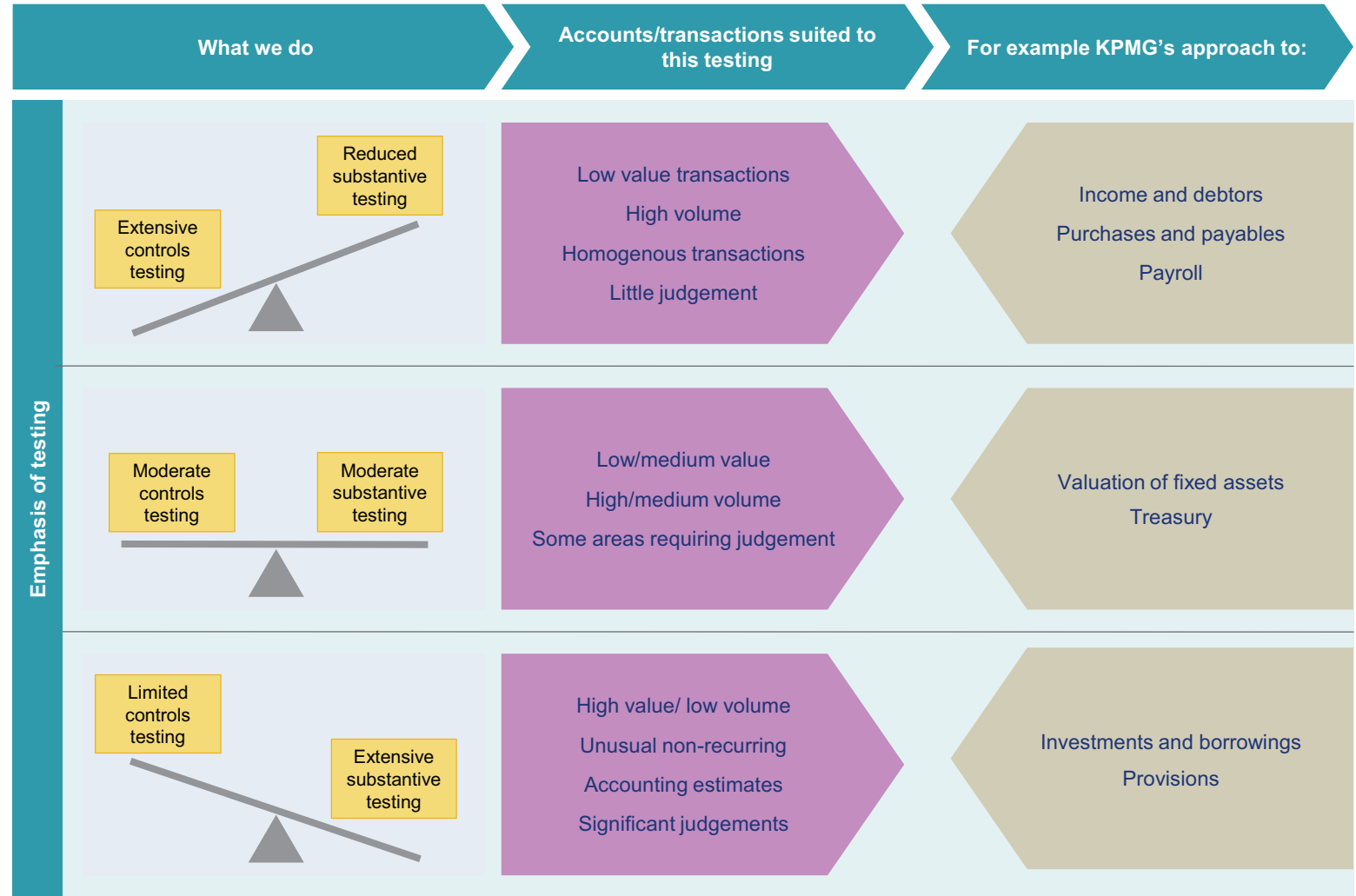
Changes to this plan and the audit fee may be necessary if:

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

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

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

Page 33



This appendix summarises auditors' responsibilities regarding independence and objectivity.

Independence and objectivity

Auditors are required by the Code to:

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

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

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

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

- Auditors are expected to comply with the Commission's statements on firms not providing personal financial or tax advice to certain senior individuals at their audited bodies, auditors' conflicts of interest in relation to PFI procurement at audited bodies, and disposal of consultancy practices and auditors' independence.
- Auditors appointed by the Commission should not accept engagements which involve commenting on the performance of other Commission auditors on Commission work without first consulting the Commission.
- Auditors are expected to comply with the Commission's policy for the Engagement Lead to be changed on each audit at least once every five years (subject to agreed transitional arrangements). Audit suppliers are required to obtain the Commission's written approval prior to changing any Engagement Lead in respect of each audited body.
- Audit suppliers are required to obtain the Commission's written approval prior to changing any Engagement Lead in respect of each audited body.
- The Commission must be notified of any change of second in command within one month of making the change. Where a new Engagement Lead or second in command has not previously undertaken audits under the Audit Commission Act 1998 or has not previously worked for the audit supplier, the audit supplier is required to provide brief details of the individual's relevant qualifications, skills and experience.

We continually focus on delivering a high quality audit.

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

KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG.

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

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

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

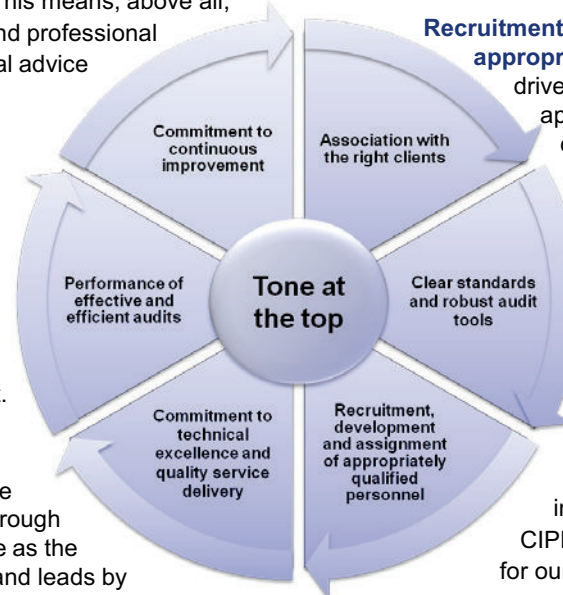
We believe it is important to be transparent about the processes that sit behind a KPMG audit report, so you can have absolute confidence in us and in the quality of our audit.

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

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

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

technically enabled audit. All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission's *Code of Audit Practice*.



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

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

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

We continually focus on delivering a high quality audit.

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

Quality must build on the foundations of well trained staff and a robust methodology.

Commitment to technical excellence and quality service delivery:

Our professionals bring you up- the-minute and accurate technical solutions and together with our specialists are capable of solving complex audit issues and delivering valued insights.

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

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

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

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

Our quality review results

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




cutting through complexity™

© 2012 KPMG LLP, a UK limited liability partnership, is a subsidiary of KPMG Europe LLP and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (KPMG International), a Swiss entity. All rights reserved.

The KPMG name, logo and 'cutting through complexity' are registered trademarks or trademarks of KPMG International Cooperative (KPMG International).

This page is intentionally left blank

	<p style="text-align: center;">Audit Committee 20 March 2013</p> <p style="text-align: center;">Report from the Deputy Director of Finance</p>
For Action	Wards Affected: ALL
ANNUAL GOVERNANCE REPORT – PROGRESS REPORT ON ACTION PLAN	

1.0 Summary

1.1 This report sets out progress against the recommendations in the Annual Governance Report.

2.0 Recommendations

The Committee is asked to:

2.1 Consider the progress report in relation to the action plan.

3.0 Detail

3.1 At the Committee's meeting on 27 September 2012 it received the Annual Governance Report (AGR) from the Audit Commission regarding the 2011/12 accounts. The Committee also agreed the Council's action plan in response to the recommendations contained within the AGR.

3.2 An initial report on progress against each recommendation, as requested by the Committee, was provided on 9 January 2013.

3.3 A further update on progress is set out in Appendix 1.

3.4 The overall plan for the production of the statement of accounts has now been produced and shared with KPMG. Individual finance teams have also prepared their detailed timetables and progress against those will be monitored closely during the process.

4.0 Financial Implications

4.1 No specific implications.

5.0 Legal Implications

5.1 No specific implications.

6.0 Diversity Implications

6.1 No specific implications

7.0 Staffing Implications

7.1 No specific implications.

8.0 Background Information

8.1 Annual Governance Report – Reports to Audit Committee 27 September 2012 and 9 January 2013

9.0 Contact Officer

Mick Bowden

mick.bowden@brent.gov.uk

Tel: 020 8937 1460

MICK BOWDEN
Deputy Director of Finance

Annual Governance Report 2011/12 – Action plan

Recommendations

Recommendation 1

Maintain sufficient capacity in the central finance team to enable the efficient preparation of the financial statements, particularly in technical areas such as asset and PFI accounting.

Responsibility	Mick Bowden
Priority	High
Date	31 March 2013
Comments	In line with the approach taken to planning the 2011/12 accounts we will identify areas that need strengthening and reallocate resources accordingly. This will be informed by our own internal review of the 2011/12 process and feedback from the external auditors
Update Dec 2012	Central finance team resource secured through internal appointment to two qualified accountant posts. Planning for 2012/13 closedown, including resource allocation, currently underway.
Update Mar 20013	Capacity in the central team will be impacted by the resignation of a key member of staff. Contingency arrangements are being put in place to reallocate workloads and manage competing demands for officer time.

Recommendation 2

Review the asset register prior to the closure of the 2012/13 accounts to remove spurious assets with no evidence of existence or ownership.

Responsibility	Mick Bowden
Priority	Medium
Date	31 March 2013
Comments	Further work has already been undertaken in this area since the initial audit work was undertaken. The total asset values identified much lower than the estimated maximum and these will be removed from the asset register.

Update Dec 2012	The update of the asset register incorporating these changes and software updates to the system is being undertaken and will be completed by the end of January.
Update Mar 2013	Not all of the software updates have been released by CIPFA. It is anticipated that these will be released by the end of March.

Recommendation 3

Maintain close monitoring arrangements to ensure Internal Audit recommendations are implemented on a timely basis and internal controls are strengthened.

Responsibility	Mick Bowden
Priority	Medium
Date	31 March 2013
Comments	All internal audit recommendations for the key financial systems have agreed action plans including responsible officers and deadlines. I will review progress against these on a monthly basis with the Head of Service responsible to ensure internal controls are strengthened.
Update Dec 2012	The latest position is that eight recommendations have been implemented, eight are in progress and one is no longer relevant due to changes arising from project Athena.
Update Mar 2013	Substantial assurance opinions have been given on accounts receivable and accounts payable audits undertaken in 2012/13. Accounts payable audit resulted in a limited assurance and action already been put in place to address the key issues around supplier details and CHAPS payment forms.

Recommendation 4

Make arrangements to comply with the Council's policy on componentisation in future years.

Responsibility	Mick Bowden
Priority	Medium
Date	31 December 2012
Comments	The approach to componentisation will be agreed with the external auditors and the Council's valuer as part of the early planning for 2012/13 closedown. A clear approach to the valuation process will be set out and adhered to.

Update Dec 2012	A proposed approach has been developed and shared with the auditors.
Update Mar 2013	The instructions issued to the valuer are based on agreed approach

Recommendation 5

Continue to improve compliance with accounting disclosure requirements.

Responsibility	Mick Bowden
Priority	Medium
Date	31 March 2013
Comments	This will be achieved through reviewing existing requirements to identify any residual issues. We will also consider changes to disclosure requirements being brought in for the 2012/13 and identify the impact of these on our processes.
Update Dec 2012	Review meetings have been held with each individual finance team to identify areas for improvement. The outcome of these is being incorporated into the planning for 2012/13 closedown.
Update Mar 2013	Overall closedown timetable has been produced covering requirements. Local timetables for individual finance teams have been produced and submitted for review centrally to ensure compliance with requirements.

Recommendation 6

Review and update the Council's Anti-Fraud and Corruption Policy.

Responsibility	Simon Lane
Priority	Medium
Date	31 March 2013
Comments	The Anti-Fraud and Corruption Policy is in the process of being reviewed. However, due to the proposed implementation of the Single Fraud Investigation Service from April 2013, there is considerable uncertainty as to how involved the local authority will be in setting policy and procedure for benefit investigations. Given that Housing Benefit fraud is a substantial proportion of the team's work, there will be a delay in producing a new policy until proposals from the Department of Work and Pensions are made clear. We intend to have a new policy in place by 31 st March 2013.
Update Dec 2012	The position regarding Single Fraud Investigation Service has now been clarified by the DWP. A revised framework is

expected to be available for approval by the Audit Committee at its meeting in February.

Update Mar 2013 Draft policy submitted for approval at March 2013 meeting

Recommendation 7

Continue to manage the financial position closely and build the level of the General Fund reserve.

Responsibility Mick Bowden

Priority High

Date 31 March 2013

Comments The budget monitoring position for 2012/13 is under close scrutiny. Despite pressures across a number of services there is a clear understanding and discipline across the Council to maintain spending within budget. The final position for 2011/12 means that the Council is £0.2 million ahead of its planned increase in General Fund reserves as set out in the medium term financial strategy. The Council meeting on 25 February 2013 will set the proposed level of reserves, based on an assessment of the financial risks facing the Council.

Update Dec 2012 Latest budget monitoring for 2012/13 indicates that the planned reserves increase of £1m will be delivered.

Update Mar 2013 Council approved level of General Fund reserve as £12m at its meeting on 25 February 2013.

Recommendation 8

Maintain a corporate focus to embed enhancements to its procurement arrangements and the commitment to ensure the savings associated with improved procurement are realised.

Responsibility Fiona Leddon

Priority High


Date 30 September 2013

Comments Procurement is the subject of 3 one council projects:

- Learning and Development - which includes training and development of procurement activity across the organisation.
- I-procurement which deals with embedding electronic procurement through a central system which ensures further compliance with procurement processes

	<ul style="list-style-type: none"> • A project identifying savings from procurement activity. The use of the Council one programme has enabled this activity to become firmly developed and is assisting in it becoming embedded in the organisation.
Update Dec 2012	<p>Procurement is delivering a suite of 3 one council projects:</p> <ul style="list-style-type: none"> • Training in 'procurement and contract performance management' which is now being delivered across the organisation. The first session was delivered in Nov 2012 in conjunction with learning and development. The initial feedback has been very positive. • 'E-procurement' which is embedding I-procurement (Oracle), E- tendering (Due North) and E-marketplace (EGS) and through the use of automation and standardisation ensures value for money, compliance with legislation and adherence to procurement processes. The implementation of these is being co-ordinated with project Athena which is scheduled for go live in August 2013. • 'Additional operational savings through procurement activity' has made positive progress to identify savings. This has been a product of the investment in category management. The service areas and procurement team have established a good level of dialogue and understanding and agreed an approach to the treatment of such savings. The procurement opportunities are being identified over a three year period with greater certainty applied to those savings in the immediate future. This will allow the council to adopt a planned approach to the identification and achievement of cashable savings.
Update Mar 2013	Procurement savings target for 2013/14 on track to be exceeded. An update report on embedding future procurement arrangements being presented to the one council programme board on 19 March.
Recommendation 9	
Continue to explore all options to meet the rising demand for school places in the borough.	
Responsibility	Andy Donald / Krutika Pau
Priority	High
Date	Ongoing with first phase delivered by September 2013.
Comments	The Council's Executive agreed a plan in August 2012 for provision of primary school places, both temporary and permanent, to meet the rising need for places. A report is due in December 2012 which will enable Members to agree plans for new secondary places. The August Executive meeting also agreed an approach to the use of the 'free schools' route to achieving additional school places. Ongoing monitoring and review of the effectiveness of the strategy will take place at officer and member level.
Update Dec 2012	An updated report on progress in delivering school places is being presented to Executive in January 2013. This recognises the need to continue to look at alternative options for funding school places in recognition of the significant

	resource challenges involved.
Update Mar 2013	The updated strategy, as approved by Executive in January, is being implemented. The DfE announcement of Basic Needs Grant for the next two years has increased funding for Brent by £7m over previous forecast. The government has also announced a Targeted Basic Need Programme which authorities experiencing pupil growth can apply for. The national total for this is £982 million.
Recommendation 10	
Continue to embed the risk management arrangements, including undertaking regular reviews of departmental risk registers and relating mitigating actions to operational and financial plans.	
Responsibility	Simon Lane
Priority	High
Date	31 March 2013
Comments	Departmental risk registers are already subject to review on a quarterly basis and used as a basis to inform CMT discussion on the corporate register. The highest level operational risks and strategic risks are included in a report to each meeting of the Audit Committee. All key strategic and operational risks are reported to the Policy Coordination Group (PCG) as part of the hotspots process.
Update Dec 2012	Risk registers continue to be reviewed by service areas and by internal audit. The key risks were submitted to PCG in accordance with the quarterly schedule.
Update Mar 2013	Risk management continues to be developed. There is on-going review at CMT quarterly. Report to the March audit committee.

	<p style="text-align: center;">Audit Committee 20 March, 2013</p> <p style="text-align: center;">Report from the Deputy Director of Finance and Corporate Services</p>
For Information	Wards Affected: ALL
Treasury Management Strategy, 2013/14	

1. Summary

This report attaches the Treasury Management Strategy for 2013/14, for the information of members. The attachment is an extract from the Budget report approved by the Council on 25 February.

2. Recommendations

The Audit Committee note the Strategy.

3. Detail

The Strategy sets the framework for Treasury Management activity in 2013/14.

4. Financial Implications

None

5. Legal Implications

None

6. Diversity Implications

None

7. Background Papers

1. Council Budget for 2013/14

8. Contact Officer Details

Chris Thompson, Principal Investment Officer

Mick Bowden

Deputy Director of Finance and Corporate Services

SECTION 10

10. TREASURY MANAGEMENT STRATEGY

Introduction

- 10.1 The Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Public Services and the Prudential Code require local authorities to determine its Treasury Management Strategy Statement (TMSS) and Prudential Indicators (PIs) on an annual basis. The TMSS also includes the Annual Investment Strategy (AIS) that is a requirement of the CLG's Investment Guidance.
- 10.2 As per the requirements of the Prudential Code, the Authority has adopted the CIPFA Treasury Management Code and reaffirmed its adoption at its annual Budget meeting, most recently on 27 February 2012.
- 10.3 The purpose of this TMSS is, therefore, to approve:
- Treasury Management Strategy for 2013/14
 - Annual Investment Strategy for 2013/14
 - Statement of Investment Policy
 - Prudential Indicators for 2013/14 to 2016/17

The approved Strategy will be implemented from the date of approval by the Council.

- 10.4 The Authority has borrowed substantial sums of money and has a significant amount invested and therefore, has potentially large exposures to financial risks including the loss of invested funds and the effect of changing interest rates. The successful identification, monitoring and control of risk is, therefore, central to the Authority's Treasury Management Strategy.

Capital Financing Requirement

- 10.5 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR). The CFR, together with usable reserves, are the core drivers of the Authority's Treasury Management activities. The expected movement of the CFR over the next three years is shown in Section 9.
- 10.6 At 31 December, 2012, the Authority's had £438m of debt and £80m of investments. These are set out in further detail below.

Existing Investment & Debt Portfolio Position

Table 1

	31/12/2012 Actual Portfolio £m	31/12/2012 Average Rate %
External Borrowing:		
PWLB – Maturity	49	2.54
PWLB – EIP	288	5.01
Local Authorities	5	0.27
LOBO Loans	96	4.81
Total Gross External Debt	438	4.64
Investments:		
Market Deposits	59	0.37
Money Market Funds	21	0.39
Total Investments	80	0.37
Net Debt	358	

10.7 The forecast movement in the CFR in coming years is one of the Prudential Indicators (PIs). The movement in actual external debt and usable reserves combine to identify the Authority's borrowing requirement and potential investment strategy in the current and future years.

Interest Rate Forecast

10.8 Interest rates are forecast to continue the trend of the last few years, that is, that interest rates will remain low for even longer. Indeed, the forecast is for official UK interest rates to remain at 0.5% until 2016 given the outlook for limited economic growth and the continued austerity measures described in the Chancellor's Autumn Statement. Until the Eurozone reaches a situation where there is a reasonable prospect of reducing debt and re-establishing growth, then the UK's safe haven status will continue and increases in official interest rates and long term borrowing rates are unlikely to become an immediate prospect. The Authority will reappraise its strategies from time to time in response to evolving economic, political and financial events.

Borrowing Strategy

10.9 Treasury management and borrowing strategies in particular continue to be influenced not only by the absolute level of borrowing rates but also the relationship between short and long term interest rates. This difference creates a "cost of carry" for any new longer term borrowing where the proceeds are temporarily held as investments because of the difference between what is paid on the borrowing and what is earned on the investment. The cost of carry is likely to be an issue until 2016 or beyond. As borrowing is often for longer dated periods (anything up to 60 years) the cost of carry needs to be considered against a backdrop of uncertainty and affordability constraints in the Authority's wider financial position.

10.10 The Authority has a borrowing requirement in 2013/14 and there is expected to be a long term requirement to fully finance the Authority's capital expenditure. Borrowing will be undertaken to reach this situation when the expected course of interest rates justifies further long term borrowing. The Authority will adopt a flexible approach to this borrowing in consultation with its treasury management advisers, Arlingclose Ltd. The following issues will be considered prior to undertaking any external borrowing:

- Affordability;
- Maturity profile of existing debt;
- Interest rate and refinancing risk;
- Borrowing source.

Sources of Borrowing and Portfolio Implications

10.11 In conjunction with advice from Arlingclose, the Authority will keep under review the following borrowing sources:

- Internal balances
- PWLB
- Other local authorities
- European Investment Bank
- Leasing
- Structured finance
- Capital markets (stock issues, commercial paper and bills)
- Commercial banks

10.12 The cost of carry has resulted in an increased use of shorter dated borrowing and repayment by equal instalments of principal. This type of borrowing injects volatility into the debt portfolio in terms of interest rate risk but is counterbalanced by its affordability and alignment of borrowing costs with investment returns. It also maintains an element of flexibility to respond to possible future changes in the requirement to borrow. The Authority's exposure to shorter dated and variable rate borrowing is kept under regular review.

10.13 The Authority has £95.5m exposure to LOBO loans (Lender's Option Borrower's Option) of which £25m of these can be "called" within 2013/14. A LOBO is called when the Lender exercises its right to amend the interest rate on the loan, at which point the Borrower can accept the revised terms or reject them and repay the loan without penalty. LOBO loans present a potential refinancing risk to the Authority since the decision to call a LOBO is entirely at the lender's discretion.

Any LOBOs called will be discussed with Arlingclose prior to acceptance of any revised terms. The default position will be the repayment of the LOBO without penalty i.e. the revised terms will not be accepted.

Debt Rescheduling

- 10.14 The Authority's debt portfolio can be restructured by prematurely repaying loans and refinancing them on similar or different terms to achieve a reduction in risk and/or savings in interest costs.
- 10.15 The lower interest rate environment and changes in the rules regarding the premature repayment of PWLB loans have adversely affected the scope to undertake useful debt restructuring although occasional opportunities arise. The rationale for undertaking any debt rescheduling or repayment would be one or more of the following:
- Reduce investment balances and credit exposure via debt repayment
 - Align long-term cash flow projections and debt levels
 - Savings in risk adjusted interest costs
 - Rebalancing the interest rate structure of the debt portfolio
 - Changing the maturity profile of the debt portfolio
- 10.16 Borrowing and rescheduling activity will be reported to the Executive and Council in the Annual Treasury Management Report and the mid year report.

Annual Investment Strategy

- 10.17 In accordance with Investment Guidance issued by the CLG, and best practice, this Authority's primary objective in relation to the investment of public funds remains the security of capital. The liquidity or accessibility of the Authority's investments is secondary, followed by the yield earned on investments.
- 10.18. The Authority and its advisors remain on a heightened state of alert for signs of credit or market distress that might adversely affect the Authority.
- 10.19 Investments are categorised as "Specified" or "Non-Specified" within the investment guidance issued by the CLG.
- Specified investments are sterling denominated investments with a maximum maturity of one year. They also meet the "high credit quality" as determined by the Authority and are not deemed capital expenditure investments under Statute. Non-specified investments are, effectively, everything else. Investments for more than a year remain non-specified until they mature.
- 10.20 The types of investments that will be used by the Authority and whether they are specified or non-specified are as follows:

Table 2: Specified and Non-Specified Investments

Investment	Specified	Non-Specified
Term deposits with banks and building societies	✓	✓
Term deposits with other UK local authorities	✓	✓
Investments with Registered Providers	✓	✓
Certificates of deposit with banks and building societies	✓	✓
Gilts	✓	✓
Treasury Bills (T-Bills)	✓	x
Bonds issued by Multilateral Development Banks	✓	✓
Local Authority Bills	✓	x
Commercial Paper	✓	x
Corporate Bonds	✓	✓
AAA-Rated Money Market Funds	✓	x
Other Money Market and Collective Investment Schemes	✓	✓
Debt Management Account Deposit Facility	✓	x

Further details can be found in Appendices L (i) and (ii).

10.21 Registered Providers (RPs) have been included within specified and non-specified investments for 2013/14. Investments with RPs will be analysed on an individual basis and discussed with Arlingclose prior to investing. RPs are Housing Associations and other Registered Social Landlords.

10.22 The minimum credit rating for non-UK sovereigns is AA+ (or equivalent). For specified investments the minimum long term rating for counterparties is A- (or equivalent). Within these criteria, the Chief Financial Officer (CFO) will have discretion to accept or reject individual institutions as counterparties on the basis of any information which may become available. This may include adding institutions not, at present, eligible should they become so, after having due regard to prudence. As detailed in non-specified investments in Appendix L (ii), the CFO will have discretion to make investments with counterparties that do not meet the specified criteria on advice from Arlingclose.

The other credit characteristics, in addition to credit ratings, that the Authority monitors are listed in the Prudential Indicator on Credit Risk (PI 12).

Any institution will be suspended or removed should any of the factors identified above give rise to concern, and caution will be paramount in reaching any deal regardless of the counterparty or the circumstances. Credit ratings are monitored continually by the Authority, using the advice of Arlingclose on ratings changes, and appropriate action to be taken.

The CFO will have the discretion to adopt a limit on lending to an individual country's institutions as seems prudent.

The countries and institutions that currently meet the criteria for investments are included in Appendix L (i).

- 10.23 Authority's Banker – The Authority banks with National Westminster and, at the current time, it meets the Authority's minimum credit criteria. NatWest is part of the RBS group and, should the credit rating fall below the Authority's minimum criteria, the RBS group will continue to be used for short term liquidity requirements (overnight and weekend investments) and business continuity arrangements.

Investment Strategy

- 10.24 With short term interest rates expected to remain low for some time, an investment strategy will typically result in a lengthening of investment periods, where cash flow permits, in order to lock in higher rates of acceptable risk adjusted returns. The problem in the current environment is finding an investment counterparty providing acceptable levels of counterparty risk.
- 10.25 In order to diversify a portfolio largely invested in cash, investments will be placed with approved counterparties over a range of maturity periods. Maximum investment levels with each counterparty will be set to ensure that prudent diversification is achieved.
- 10.26 Money market funds (MMFs) will be utilised but good treasury management practice prevails, and whilst MMFs provide good diversification, the Authority will also seek to mitigate operational risk by utilising at least two MMFs where practical. The Authority will also restrict its exposure to MMFs with lower levels of funds under management and will not exceed 0.5% of the net asset value of the MMF. In addition, each Fund will be limited to a maximum deposit of £10m and no more than half the Council's deposits will be placed with MMFs.
- 10.27 The investment strategy will provide flexibility to invest cash for periods of up to 370 days in order to access higher investment returns, although lending to UK local authorities can be for up to 5 years. The upper limit for lending beyond a year is £20m. In practice lending for more than one year will be only to institutions of the highest credit quality and at rates which justify the liquidity risk involved.

10.28 Collective Investment Schemes (Pooled Funds):

The Authority has evaluated the use of Pooled Funds and determined the appropriateness of their use within the investment portfolio. Pooled funds enable the Authority to diversify the assets and the underlying risk in the investment portfolio and provide the potential for enhanced returns. Investments in pooled funds will be undertaken with advice from Arlingclose Ltd. The Authority currently has no investments in Pooled Funds.

10.29 Investment Policy:

The Treasury Management in the Public Services: Code of Practice (the Code) produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) was updated in November 2011, with a greater focus on risk management and significance of capital security as the Council's primary objective in relation to investments.

The Council will create and maintain, as the cornerstones for effective treasury management:-

- A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities
- Suitable treasury management practices (TMPs), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
- The Policy Statement is set out in Appendix L (iii). It will continue to apply until specific changes are required.

Policy on Use of Financial Derivatives

10.30 The Authority will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

10.31 Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and any relevant foreign country limit.

10.32 The Authority will only use derivatives after seeking expertise, receiving a legal opinion and ensuring officers have the appropriate training for their use.

Housing Revenue Account Self-Financing

- 10.33 Central Government completed its reform of the Housing Revenue Account (HRA) Subsidy system at the end of 2011/12. Local authorities are required to recharge interest expenditure and income attributable to the HRA in a way which is fair to the HRA without detriment to the General Fund. The guidance is very general, so the Council is required to adopt a policy that will set out how interest charges attributable to the HRA will be determined. The CIPFA Code recommends that authorities present this policy in their TMSS.
- 10.34 As of 1st April 2012, the Council notionally split each of its existing long-term loans into General Fund and HRA pools. Individual loans or parts of loans have been allocated to the HRA, on the basis of achieving the same long term rate as that which applied to the General Fund at the self financing date. In the future, new long-term borrowing will be assigned in its entirety to one pool or the other, allocating the costs and benefits to each accordingly.
- 10.35 Differences between the value of the HRA loans pool and the HRA's underlying need to borrow will result in a notional element of internal borrowing which may be positive. This balance will be assessed over the year and interest charged to the HRA at an appropriate rate for short term borrowing. The HRA will also hold reserves and balances which will be invested with the Council, and interest will be paid on identified balances at a rate which recognises that any investment risk is borne by the General Fund

Monitoring and Reporting on the Treasury Outturn and Prudential Indicators

- 10.36 The CFO will report to the Executive on treasury management as follows:
- Annually, against the strategy approved for the year. The Authority will produce an outturn report on its treasury activity and the Prudential Indicators no later than 30th September after the financial year end.
 - After the middle of the year on the implementation of strategy and main features of the year's activity to date
 - The Executive and the Audit Committee will be responsible for the scrutiny of treasury management activity and practices.

Other Items

10.37 Training

CIPFA's Code of Practice requires the CFO to ensure that all members with treasury management responsibilities, including scrutiny of the treasury management function, receive appropriate training relevant to their needs and understand fully their roles and responsibilities.

10.38 Treasury Management Advisors

The Authority uses Arlingclose as Treasury Management Advisors and receives the following services:

- Credit advice
- Investment advice

- Technical advice
- Economic & interest rate forecasts
- Workshops and training events
- HRA support
- Other matters as required

The Authority maintains the quality of the service with its advisors by holding quarterly meetings and tendering periodically.

ANNUAL INVESTMENT STRATEGY 2013/14

List of institutions which meet the Council's credit criteria

Country /Domicile	Counterparty	Maximum Group Limit £m	Maximum Maturity Limit
UK	Santander UK	15	370 days
UK	Lloyds TSB/Bank of Scotland	15	370 days
UK	Barclays Bank	15	370 days
UK	HSBC Bank	15	370 days
UK	Nationwide Building Society	15	370 days
UK	NatWest/RBS	15	370 days
UK	Standard Chartered Bank	15	370 days
Australia	Australia and NZ Banking Group	10	370 days
Australia	Commonwealth Bank of Australia	10	370 days
Australia	National Australia Bank	10	370 days
Australia	Westpac Banking Corp	10	370 days
Canada	Bank of Montreal	10	370 days
Canada	Bank of Nova Scotia	10	370 days
Canada	Canadian Imperial Bank of Commerce	10	370 days
Canada	Royal Bank of Canada	10	370 days
Canada	Toronto-Dominion Bank	10	370 days
Finland	Nordea Bank Finland	10	370 days
France	BNP Paribas	10	370 days
France	Credit Agricole CIB/SA	10	370 days
France	Société Générale	10	370 days
Germany	Deutsche Bank AG	10	370 days
Netherlands	ING Bank NV	10	370 days
Netherlands	Rabobank	10	370 days
Netherlands	Bank Nederlandse Gemeenten	10	370 days
Sweden	Svenska Handelsbanken	10	370 days
Switzerland	Credit Suisse	10	370 days
US	JP Morgan	10	370 days

The list above represents the institutions which meet the criteria at the time of preparation of the strategy. The CFO may introduce new names which meet the criteria from time to time and may adopt more restrictive limits on maturity or value as seems prudent

An operational list of institutions which are approved to take deposits from the Council will be prepared and circulated to dealing and approving Officers from time to time

Group Limits - for institutions within a banking group, the authority may lend the full limit to a single bank within that group, but may not exceed the limit for all group members.

Non-Specified Investments

Instrument

Call accounts, term deposits & CDs with banks, building societies & local authorities which do not meet the specified investment criteria (on advice from Arlingclose)

Deposits with registered providers

Gilts

Bonds issued by multilateral development banks

Sterling denominated bonds by non-UK sovereign governments

Money Market Funds and Collective Investment Schemes

Corporate and debt instruments issued by corporate bodies purchased from 01/04/12 onwards

Collective Investment Schemes (pooled funds) which do not meet the definition of collective investment schemes in SI 2004 No 534 or SI 2007 No 573. These would be capital expenditure.

The Authority will hold up to a maximum of £30m in each category, subject to a maximum of £30m in all non specified investments at any time.

Policies and Objectives of Treasury Management Activities

The Council defines its treasury management activities as:

“The management of the organisation’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

This Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.


This Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

The Council’s borrowing will be affordable, sustainable and prudent and consideration will be given to the management of interest rate risk and refinancing risk. The source from which the borrowing is taken and the type of borrowing should allow the Council transparency and control over its debt.

The Council’s primary objective in relation to investments remains the security of capital. The liquidity or accessibility of the Council’s investments followed by the yield earned on investments remain important but are secondary considerations.

The Council delegates the execution and administration of treasury management decisions to the County Treasurer who will act in accordance with the organisation’s policy statement and TMPs and CIPFA’s Standard of Professional Practice on Treasury Management.

The Council nominates its Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

 <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>Audit Committee 9 January 2013</p> <p>Report from the Deputy Director of Finance and Corporate Services</p>
For Information	Wards Affected: ALL
<p>3rd Internal Audit Progress Report 2012/13</p>	

1. Summary

- 1.1. This report summaries the work of Internal Audit and the Investigations Team from 1st April 2012 to 28th February 2013. The attached report provides further details of this together with assurance ratings of reports issued.

2. Recommendations

- 2.1. That the Audit Committee notes the progress made in achieving the 2012/13 Internal Audit Plan and the review of fraud work.

3. Detail

Audit

- 3.1. The Internal Audit Plan for 2012/13 comprises 1,200 days, of which 905 are allocated to Deloitte Touche Public Sector Internal Audit Limited, and 295 to the in-house team.
- 3.2. A total of 1004 days have been delivered against the overall Plan, made up of 761 Deloitte PSIA days and 243 days in-house days. This represents 84% of the Plan.
- 3.3. A summary report setting out the completed audit work is attached as Appendix 1. The status of all projects planned is set out in table 1 below:

Audit	Planned Days	Total Actual Days	Progress	Assurance/ Direction of Travel	Priority			Issue date
					1	2	3	
Corporate/Cross Cutting								
Appointment of Consultant and Non Comensura Temporary/Interim Staff	10	13	Work In Progress					
Comensura	15	15	Final Report	Limited	4	6	-	15/09/2012
Oyster Card	12	10	Work In Progress					
Additional days appointment of Consultant	3	0	Additional days required due to the extended sample and additional works required to create reports to facilitate the work.					
Corporate/Cross Cutting Total	40	38						
Finance and Corporate Services (FCS)								
Council Tax	15	20	Draft Report	Substantial		7	1	11/03/2013
Reform of National Non Domestic Rates (NNDR)	1	1	N/A					
NNDR	15	15	Draft Report	Substantial		5		14/03/2013
Reform of Council Tax Benefits	10	8	Initial Phase Complete	Non-Assurance				
Housing and Council Tax Benefits	20	18	Draft Report	Substantial	3	4	1	15/03/2013
Treasury Management	10	10	Final Report	Substantial (unchanged)	1	1	1	08/03/2013
Payroll	20	25	Final Report	Substantial (unchanged)	4	5	1	11/03/2013
Accounts Payable	15	15	Final Report	Limited (Deteriorated)				18/12/2013
Accounts Receivable	15	15	Final Report	Substantial (Improved)	1	7	1	
General Ledger	15	15	Final Report	Substantial (Improved)		3		18/12/2013
Cash and Banking	15	10	Draft Report	Substantial				15/03/2013
Pension Fund Administration	20	20	Final Report	Substantial	-	6	1	06/09/2012
One Council Project – Project Athena (One Oracle)	4	4	Attendance at various Athena meetings (2* Managers)					
Once Council Project – Customer Service	0	0	Withdrawn following a meeting with the Head of Service. 12 to 0.					
Staff Expenses (Contingency days used)	20	20	Final Report	N/A - 8 recommendations have been raised. The recommendations have not been given a priority as all implemented as soon as possible.				18/12/2013
Financial Planning	15	15	Final Report	Full	-	-	-	08/03/2013
FCS Total	210	211						
Children & Families								
School Audits								
Primary/Junior Schools (Total 150)								
Chalkhill	10	10	Final Draft Report	Limited	6	11	1	02/08/2012
Our Lady of Grace Infants	10	0	March (School now asked to defer to 13/14)					

Woodfield	10	0	March (School now asked to defer to 13/14)					
Furness	10	0	March					
Lyon Park Juniors	10	12	Final Report	Substantial	1	9	-	15/09/2012
St Mary's CE	10	12	Draft Report	Substantial	2	8	4	15/03/2013
Oliver Goldsmith	10	11	Final Report	Substantial	3	5	5	12/12/2012
Convent of Jesus and Mary	10	10	Final Report	Substantial	1	7	5	01/02/2013
Elsley	10	10	Final Report	Substantial	3	5	2	26/11/2012
Roe Green Infants	10	10	Final Report	Substantial	1	10	0	28/11/2012
Roe Green Juniors	10	10	Final Report	Substantial	1	10	1	28/11/2012
Sudbury	0	0	Withdrawn as the School is now Academy					
St Joseph Junior	10	10	Draft Report	Substantial	2	6	2	20/02/2013
St Joseph Infants	10	10	Draft Report	Substantial	1	4	1	20/02/2013
St Joseph's RC Primary	10	10	Final Report	Substantial	2	3	2	22/11/2012
Newfiled	10	12	Final	Substantial	2	11		10/01/2013
St Mary Magdalen	10	9	Draft Report	Substantial	4	4	2	26/11/2012
Stonebridge	10	11	Draft Report	Limited	11	8	-	09/10/2012
Torah Temimah	10	11	Final Report	Nil	16	7	-	21/11/2012
Newman CC (Secondary)	10	10	Work in Progress					
Preston Manor (Secondary)	10	9	Draft Report	Limited	10	16	-	03/12/2012
St Gregory's (Secondary)	5	7	Final Draft Report	Substantial (Unchanged)	-	4	2	28/02/2013
The Village (Special)	10	8	Work in Progress					
Granville Plus	10	0	March					
Phenix Arch	10	0	April					
Fawood	10	0	April					
Manor (Special)	3	3	Final Report	Non Assurance Work.				31/08/2012
Follow up of limited assurance Schools	18	12	Throughout the year.					
Safeguarding of Children	15	2	Postponed to Q4 due to appointment of new Head of Service. Audit Brief prepared and issued to current Head.					
School CRF Data Analysis	2	2						
School Additional Days	11	0	See above for relevant schools - Torah Temimah (1), St Mary's CE (2), St Gregory's (2), Oliver Goldsmith (1), Lyon Park (2), Stonebridge (1), Newman Catholic (2)					
Children & Families Total	294	211						
Environment & Neighbourhood (EN)								
Parking Enforcement (Withdraw from the plan)	0	0	Deferred to 2013/14 Plan					
Olympics	10	10	Final Report	Non Assurance Work.				27/07/2012
Libraries	15	2	WIP					
EN Total	25	12						
Customer & Community Engagement								
Mayor's Office	8	8	Final Report	Limited	5	1	-	15/09/2012
Language Shop	12	12	Final Report	Limited	4	2	-	17/09/2012

Customer & Community Engagement Total	20	20						
Adult Social Services								
Mental Health Partnership	20	20	Final Report	Limited	7	1	-	10/09/2012
Home Care	15	10	Work In Progress					
Appointeeship, Receivership, and Power of Attorney	20	25	Final Report	Limited	15	9	1	16/11/2012
Personalised Budgets and Direct Payments	20	20	Draft Report	Limited				
HCC Total	75	75						
Legal and Procurement								
Procurement	0	0	This is covered under the Athena Project and withdrawn from the plan.					
High Value Contracts – Compliance with the Blue Book	20	20	Final Report	Limited	6	3	-	25/07/2012
Legal and Procurement Total	20	20						
Regeneration and Major Project (RMP)								
Capital Projects (contract audits)	30	25	Work In Progress					
Civic Centre Project (Move to the Civic Centre)	10	10	Final Report	Non Assurance Report				14/09/2012
Housing Solutions (Choice based letting/housing allocations) - Withdrawn due to ongoing consultation	0	0	Withdrawn due to ongoing consultation.					
Property Disposal	10	9	Draft Report to be issued	Substantial	-	6	-	
Building Control and Enforcement	15	18	Final Report	Substantial	3	13	-	16/11/2012
Additional days for Building Control and Enforcement	3	0	See above.					
RMP Total	68	62						
Strategy, Partnership, and Improvement (SPI)								
Partnership Management	10	10	Final Report	Substantial	-	2	-	21/09/2012
Public Sector Reform – Policy and Key Legislative Changes	15	15	Final Report	Substantial	-	1	-	21/09/2012
SPI Total	25	25						
Computer Audit								
Oracle Financials Application Audit	0	0	Withdrawn due to Project Athena. 10-0					
Northgate Sx3 Housing Benefits System	10	9	Draft Report	Limited (Deteriorated)	3	6	1	28/11/2012
Automated Customer Contact (One Council Project)	10	9	Final Report	Substantial	1	5		14/03/2013
Abacus	0	0	Withdrawn as the system is now due to be decommissioned next year. 10-0					
IT Service Management (Information Technology Infrastructure Library ITIL, V3 Gap Analysis)	15	14	Draft Report					

Wireless Networks	15	10	Work in Progress					
Virtual Desktop Infrastructure	20	5	Throughout the year.					
Civic Centre IT Controls	20	12	Throughout the year.					
Follow up of previous IT audits	12	8	Throughout the year.					
New audit to replace Oracle and Abacus (Academy, Accolaid, Contender, pension)	20	0						
Computer Audit Total	122	67	*Plus 10 days delivered on V5 (BHP) Total Computer Audit days = 132 days.					
Others								
Risk Management	10	10						
Consultation, Communication and Reporting	55	50						
Follow up	56	50						
Office Move	14	16						
2013/14 Planning (DMT meetings)	8	8						
Annual Governance Statement	2	0						
Contingency	0	0						
	145	134						
BHP								
Housing Repairs and Maintenance	12	1	March					
Housing Rents	8	8	Final Report	Substantial (unchanged)	1	1	3	28/11/2012
Major Works Contracts	20	17	Work In Progress					
Procurement & Contracts (Non Major Works)	15	15	Final Report	Substantial	2	3	-	04/10/2012
Treasury Management	0	0	Audit days transferred to Internal Financial Controls at request of management					
Internal Financial Controls	18	12	Work In Progress					
Rent Arrears Management	15	15	Final Report	Substantial	-	1	2	14/01/2013
Tenant Management Organisations – Watling Gardens	15	15	Final Report	Limited	7	8	1	30/10/2012
Management of Non-Brent Properties	15	14	Draft Report	Limited (Unchanged)	2	4	-	04/01/2013
TMO – South Kilburn TMO	0	4	Final Report	Non-Assurance work	2	8		08/11/2012
Risk Management	8	2	Work In Progress					
V5 System (Housing Rents)	10	10	Final Report	Limited (Unchanged)	1	10	1	28/11/2012
Consultation and Management Days	20	16	Throughout the year.					
BHP Total	156	129						
Total	1200	1004						

Delivery Status	
Total days in the plan	1200
Number of days delivered to date	1004
% of days delivered to date	84%
Total number of projects in 2012/13 plan (excluding follow up reports and Committee reports)	73
Number of reports issued to date	54
% of reports issued to date	74%
% of reports issued to date excluding audits deferred as a result of request of schools and late booking due to Parking Audit deferred to 2013/14 in February 2013	81%

Table 1 – Internal Audit Delivery Status

Housing Benefit Fraud

- 3.4. The DWP's long term proposals for the Single Fraud Investigation Service (SFIS) remain unclear. Four pilots continue to operate with more intending to follow although details are sketchy. No evaluation has yet been undertaken and there is no indication as to when local authorities will be forced to operate under a single policy or process for dealing with housing benefit fraud. Therefore, the Audit and Investigation team continues to investigate allegations of benefit fraud.
- 3.5. The team continues to receive a high volume of referrals and many have to be screened out without investigation. This is now averaging 71% over the year. Although, many of these are low quality referrals, there is a risk that potentially fraudulent claims are not being investigated. Whilst the team has always screened cases, this is a significant increase on previous years. This is caused by a combination of lack of resources and increasing referrals. The team is currently operating with three vacancies and has attempted to fill posts on a permanent basis, without success on two recent occasions and has fared little better with temporary workers. This may be due to the uncertainty caused by the SFIS proposals and Universal Credit.
- 3.6. There is a process of case screening which considers the quality of evidence, likely value of overpayment and other factors. Those which are not screened out are passed for investigation. An investigation will be closed once there is sufficient evidence to establish that a fraudulent overpayment of benefit has occurred and a sanction has been applied or no further action is warranted. Investigations range in length from a few months to many years for complex prosecutions.
- 3.7. The sanctions available for HB fraud are: A caution administered by the council, an administrative penalty of 30% of the overpayment and criminal prosecution. In all cases the council will seek recovery of the identified overpayment and in some cases will seek a confiscation order under proceeds of crime legislation.
- 3.8. At the end Q3 the team had completed investigations into 151 cases, identifying fraud in 76 of these. Overpayments in excess of £1.5m have been identified resulting in 21 prosecutions and 22 administrative penalties. Historical case load

data and current performance is shown below:

		2012/13	2012/13		
HB Fraud	20011/12	Year to date	Q1	Q2	Q3
Referrals	612	555	276	143	136
Closed	597	522	164	210	148
Screened Out	339	371	103	157	111
% dropped	57%	71%	63%	75%	75%
Investigated	258	151	62	57	37
Fraud Found	102	76	25	26	25
Hit Rate	40%	50%	40%	41%	68%
Caution	3	0	0	0	0
Admin Penalty	28	22	4	10	8
Prosecution	30	21	9	3	9
Total Sanctions	61	43	13	13	17
Overpayment Only	40	33	12	13	8
HB/CTB Overpayment	£1,435,073	£1,501,743	£618,338	£394,604	£488,801

Table 2 – HB Fraud Caseload 2012/2013

- 3.9. The team has recently featured on the BBC series, Saints and Scroungers, in which two cases were highlighted. Screenings were on 25th February 2013 and 5th March 2013.

Social Housing Fraud

- 3.10. Social housing fraud occurs due to the sub-letting of council properties and false declaration of circumstances on housing and homeless applications. The council has taken tenancy fraud seriously for many years. Since 2000, investigation work by A&I has resulted in the recovery of 411 properties and prevented almost 90 inappropriate Right to Buy applications. The Audit Commission currently estimates that each unlawfully sub-let council property results, on average, in a financial loss of some £18,000 per annum. This year, to date, the team has recovered 44 properties.
- 3.11. Caseload information is shown below.

		2012/13	2012/13		
Housing Fraud	2011/12	YTD	Q1	Q2	Q3
Referrals	189	152	43	29	80
Closed	185	137	54	31	52
Screened Out	13	7	1	0	6
Investigated	172	130	53	31	46
Fraud Found	48	46	17	11	18
Recovered Property	47	44	16	11	17
RTB Stop	1	0	0	0	
Application refused	0	1	0	0	1
Property Reduced		1	1	0	0

Table 3 – Housing Fraud Caseload

- 3.12. The team currently has four investigators, two of who are funded by temporary funding provided by DCLG to address sub-letting. This funding ceases at the end of the financial year and now has to be bid for. The deadline for bids was 22nd February and the council is waiting for a decision by DCLG as to whether or not the bid has been successful.

Internal Fraud

- 3.13. Internal fraud refers to fraud committed by employees, agency staff, consultants and staff in schools. For the purposes of this report, “fraud” includes any financial irregularity or malpractice or serious breach of financial regulations or the staff code of conduct.
- 3.14. Historic data and current year statistics are shown in the tables and charts below:

	2011/12	2012/13	2012/13		
Internal	Actual	YTD	Q1	Q2	Q3
Referrals	58	33	9	5	19
Closed	62	27	9	4	14
Screened Out	5	2	0	0	2
Investigated	57	18	9	4	5
Fraud / Irregularity	33	10	4	1	5
Dismissed	11	2	0	0	2
Resign / Left	16	8	4	1	3
Warning	5	0	0	0	0
No Action	1	0	0	0	0

Table 4 – Internal Fraud Caseload 2012/13

- 3.15. During the last quarter, two officers have been dismissed and three have either resigned or left prior to disciplinary action being taken. Two cases involved staff suspected of working illegally, one involved misuse of an £880 season ticket loan and two cases involved head teachers failing to comply with financial regulations.

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 2012/13, Audit Committee 27th June 2012

8. Contact Officer Details

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

Mick Bowden
Deputy Director of Finance and Corporate Services

This page is intentionally left blank



**Internal Audit
3rd Progress Report 2012/13
London Borough of Brent
March 2013**

Contents

Page No

Executive Summary	1
Detailed summary of work undertaken	4
Follow-Up of Previously Raised Recommendations	8
Appendix A – Definitions	9
Appendix B – Audit Team and Contact Details	11





Executive Summary

Introduction	<p>This report sets out a summary of the work completed to date against the 2012/13 Internal Audit Plan, including the assurance opinions awarded and any high priority recommendations raised.</p> <p>Those audits reported on at previous meetings have been removed, but reference can be made to the full list of assurance opinions in the cover report.</p>
Summary of Work Undertaken	<p>A range of audits have been undertaken since the last meeting, comprising both financial and non-financial systems, some One Council Projects and work across the schools.</p> <p>The Final Reports issued since the last meeting relate to the following areas, with further details of these provided in the remainder of this report:</p> <ul style="list-style-type: none">• Payroll• Accounts Receivable• Treasury Management• Financial Planning• Convent of Jesus and Mary• St Gregory's Secondary School• Automated Customer Contact
One Council Project	<p><u>One Oracle (Formerly Project Athena)</u></p> <p>The Council is currently working with the other local authorities in preparation for the launch of the new Oracle system which will be operated using new operational procedures and Oracle Cloud from August 2013. The Audit Managers have attended the Finance Implementation Team (FIT) meeting for the first time in early December 2012 and they will continue to attend the meetings until the project launch. In addition, as part of this, the Audit Managers will work with the FIT in respect of Governance Risk Compliance.</p>




Summary of Assurance Opinions and Direction of Travel

A summary of the assurance opinions and direction of travel assessments is as follows, as compared to the previous two financial years.

Assurance Opinions

	Full 	Substantial 	Limited 	None 
2010/11	-	71% (29)	29% (12)	-
2011/12	-	42% (22)	50% (26)	8% (4)
2012/13	4% (1)	65% (17)	27% (7)	4% (1)

Direction of Travel

	Improved 	Unchanged 	Deteriorated 
2010/11	5	4	-
2011/12	5	4	2
2012/13	2	2	1

For the Committee's reference, the definitions of the assurance opinions and direction of travel assessment are included at Appendix A.

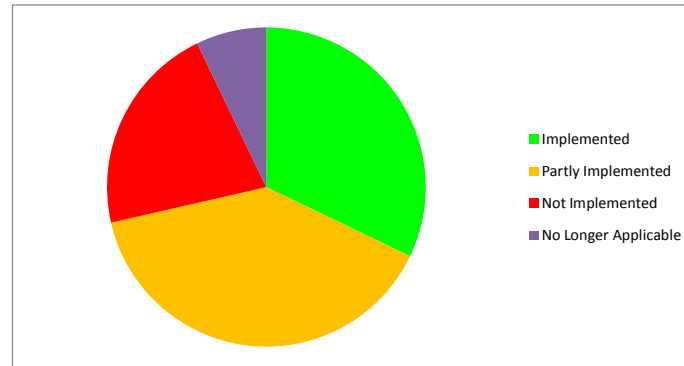
Follow-Up of Previously Raised Recommendations

As part of our rolling programme, all recommendations are being followed-up with management, as and when the deadlines for implementation pass. This work is of high importance given that the Council's risk exposure remains unchanged if management fail to implement the recommendations raised in respect of areas of control weakness. A key element of the Audit Committee's role is to monitor the extent to which recommendations are implemented as agreed and within a reasonable timescale, with particular focus applied to any priority 1 recommendations.

The current level of implementation is as per the chart on the following page. Of the recommendations

followed-up, 78% 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, 73% had either been fully or partly implemented. Whilst the implementation rates are relatively low, compensating controls have been put in place by management where possible. In addition, one of the key reasons provided by management is that the recommendations will need to be implemented in line with the major changes taking place such as the One Oracle project.

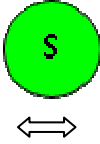
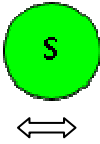




Implementation of Recommendations






Detailed summary of work undertaken

FULL / SUBSTANTIAL ASSURANCE REPORTS

Only the assurance opinion and direction of travel is being reported on for those audits for which Substantial Assurance was given. The Committee's focus is directed to those audits which received a Limited Assurance opinion.

Audit	Assurance Opinion and Direction of Travel
Accounts Receivable	
Payroll	
Treasury Management	
Financial Planning	
Automated Customer Contact – Web Enhancement Project Pre Implementation Audit (Computer Audit)	
SCHOOLS	
Newfield Primary School	

Audit	Assurance Opinion and Direction of Travel
Convent of Jesus and Mary	
BHP	
Rent Arrears Management	 

NON ASSURANCE WORK

This section summarises other work undertaken during the year for which an assurance opinion was not applicable.

We have previously reported on the following works:

- Olympic Games Preparedness;
- Manor School;
- Staff Expenses Testing; and
- Kilburn Square TMO (BHP).

Reform of Council Tax Benefits

Background

The government has made provision within the Local Government Finance Bill to replace the current national Council Tax Benefit (CTB) scheme from 1st April 2013 with localised schemes for Council Tax Support (CTS) devised by individual (or groups of) local authorities (LA's).

Local CTS schemes will be funded by a fixed grant unlike the current Council Tax Benefit scheme which has demand-led funding and the fixed grant will result in an immediate reduction to funding when compared to current levels of subsidised expenditure. The headline reduction is 10% but draft figures issued by the Department for Communities and Local Government (DCLG) indicate that the reduction for the Council is closer to 13.7%. Depending upon the funding settlement from the government, this is anticipated to require financial savings in the region of £3.9M to £5.1M for 2013/14 dependent upon growth and Council Tax levels and based upon the Council's proportionate share of the reduced funding.

The findings and outcomes of the consultation for the proposed local Council Tax Support Scheme were presented to the Full Council along with the recommended new local Council Tax Support (CTS) scheme which reflected the consultation outcome as well as achieving, as far as reasonably practical, a financially neutral position in 2013/14 (the first year of operation).

Scope of the work

This work focused on the controls within the administration process such as types of checks planned to validate eligibility under the new CTS. It should be noted that the scope of this work was not to comment or advise on the scheme as this is beyond the remit of Internal Audit. The final outcome of this work will be a flow chart diagram which maps eligibility criteria against the types of checks and source of evidence required to validate applicants' eligibility. Where any gaps are identified between the expected checks and planned checks, recommendations will be raised.

Progress of the work

Through examination of the new CTS document and discussion with the Head of Benefits and Customer Services, we have completed the initial phase of the work including: Payro

- Identification of all discount categories as per the scheme;
- Identification of eligibility criteria for all discount categories as per the scheme;
- Mapping eligibility criteria with expected checks including source of evidence; and
- Drafted work flow diagram on the basis of the above.

Next Step

A draft flow chart diagram will be presented to the Service for their comments and further discussions will be held before analysing any gaps in control and raising recommendations.

Follow-Up of Previously Raised Recommendations

The table below provides a summary of the findings from the follow-up work completed since the last meeting, 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	
Treasury Management	1	-	-	1	-	1	-	-	-	2	-	1	1	
Financial Planning	1	-	-	1	-	-	-	-	-	2	-	-	-	
Payroll	-	1	1	-	-	1	-	-	-	-	1	2	-	Resolution of issues outstanding with Interact (Payroll application provider)*
Accounts Receivable	1	1	2	-	3	1	-	-	-	1	4	3	-	Automation of Invoice/Credit Note requests** Service Area Invoice Checks***
John Keble	1	2	-	2	4	-	1	-	-	4	6	-	1	
	4	4	3	4	7	3	1	0	0	9	11	6	2	

*Management indicated that this recommendation will not be implemented due to the imminent introduction of Oracle HR/Payroll. The Interact payroll application will be redundant when Oracle HR/Payroll is launched as part of the One Oracle Project.





**Management indicated that due to the high cost of automating the invoice/credit note request, a decision was made to continue with the use of e-forms without work flow approval. However, a compensating control will be in place whereby requests over specified limit will require approval from authorised officer and a list of authorised officer will be maintained by FSC. FSC will not process requests over specified limit unless it is requested from the authorised officer.

***Compensating controls are in place. Any significant discrepancies between the services to be invoiced and actual invoices processed will be identified as part of budget monitoring process.

Appendix A – Definitions

Audit Opinions




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

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

The assurance grading provided 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:

Priority 1	Major issues for the attention of senior management and the Audit Committee.
Priority 2	Important issues to be addressed by management in their areas of responsibility.
Priority 3	Minor issues resolved on site with local management.

Appendix B – Audit Team and Contact Details

London Borough of Brent	Contact Details
Simon Lane – Head of Audit & Investigations	✉ simon.lane@brent.gov.uk
Aina Uduehi – Audit Manager	☎ 020 8937 1260
	✉ aina.uduehi@brent.gov.uk
	☎ 020 8937 1495

Deloitte & Touche Public Sector Internal Audit Limited	Contact Details
Mark Towler – General Manager	✉ phil.lawson@brent.gov.uk
Phil Lawson – Sector Manager	☎ 020 8937 1493
Miyako Graham – Senior Audit Manager	
Shahab Hussein – Computer Audit Sector Manager	

This page is intentionally left blank

 <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>Audit Committee 20 March 2013</p> <p>Report from the Deputy Director of Finance and Corporate Services</p>
<p>For Information Wards Affected: ALL</p>	
<p>Corporate Risk Register</p>	

1. Summary

- 1.1. This report presents the council's current Corporate Risk Register following review by the Corporate Management Team (CMT).

2. Recommendations

- 2.1. Audit Committee to review and note the contents of the Council's updated Corporate Risk Register.

3. Detail

- 3.1. The council's risk management strategy and policy was agreed by the Corporate Management Team (CMT) in September 2011 and endorsed by the Audit Committee in December 2011. A number of refinements have since been made to the process as set out below in summary form:

- Directors will ensure that a risk register is in place for all their areas of responsibility utilising the council's risk template
- Operational risks are managed at a departmental level with key risks, which may be of significance across the whole organisation or need escalating due to their risk rating, being fed into the Corporate Risk Register
- Registers will be forwarded electronically to Audit and Investigations on a quarterly basis to coincide with the deadline for performance scorecards.
- When collecting scorecard data, Strategy, Partnership and Improvement will request Directors' highest level risks (up to five) which Directors will determine. These will be those risks which are of significance to the authority or which need to be escalated to CMT due to high residual risk score. These risks will be

provided to SPI using the risk template format (i.e. copy and paste from the template).

- SPI will also request hot spot information in a prescribed format. Whilst there may be some overlap between hot spot and risk, the hot spots are issues which are about to or have occurred rather than risks which are events which may materialise.
- CMT will develop and maintain (with support from Audit and Investigations) a register of the council's highest level strategic risk. These will be held on a Corporate Risk Register. CMT will consider these risks along with those submitted by Directors and incorporate appropriate operational risks into the Corporate Register. The operational risks will remain separately identifiable on this register.
- The One Council programme also maintains risk logs on a project by project basis. Where these are significant they will be reflected in the Corporate Register.
- A consolidated document, including risks and hotspots will be presented to the Policy Coordination Group on a quarterly basis and the Executive will approve the risk register annually.
- Audit and Investigations will assist CMT and Departmental Management Teams to develop their registers and provide regular reports to the Audit Committee concerning risks and the risk management process. The risk registers will drive the council's internal audit plan.

3.2. The corporate risk register, which identifies the council's top strategic and operational risks has evolved over the last year through consultation with Departmental Management Teams (DMTs) and has been the subject of review by CMT in April 2012, September 2012 and February 2013. The register has also been presented at Audit Committee at each of its meetings, the last instance being on 9th January 2013. Key risks also featured on the first two quarter's hotspots reports to PCG in abridged form.

3.3. On 28th February CMT reviewed the current register and suggested that some of the strategic risks were too broad to enable specific controls to be identified and assessed. Work is ongoing to develop a revised register which will seek to remove a number of the broader strategic risks and group the key operational risks, as identified currently in part two of the register, under strategic headings. For now, the committee should note the following changes in the register.

Strategic Risks S1 to S8 –

Removal of S1, "Failure to recognise and plan for coalition government's future vision for Local Government - Greater role in partnerships and strategic commissioning; diminishing role in direct service provision (e.g. Education, joint health and social care services; removal of responsibility for housing benefit delivery." This is considered by CMT to be too broad.

Removal of S2, “1st April 2013. Start date for multiple service changes, new Civic Centre, new way of working and self-service, new legislation. i.e. benefit caps, local council tax rebate, retention of business rates”. Replaced with S2, Civic Centre and S4, Welfare Reform. S2 now becomes a heading for a group of operational risks around the civic centre: Build, move, infrastructure and customer services.

Removal of s3, “Income loss due to various factors including budget reductions, change in legislation, economic recession, lack of external investment”. This is considered by CMT to be too broad and covered by other risks.

S4 – Economic Recession, demographic change and welfare Reform, A broad heading covering a range of significant risks being dealt with on a departmental level but recognising that, together, they have a strategic impact and include operational risks from RMP, childrens and adults service.

S9 – School Places, New strategic risk added recognising the importance of this area and impact across two departmental areas.

Key Operational Risks

Regeneration and Major Projects

RMP1, RMP3, RMP4 – moved to strategic risks

Children and Families

CF1, CF3 – moved to strategic risks

Adult Social Services

ASS4, moved to strategic risks

ASS6, removed

Environment and Neighbourhood Services

ENS5, Recycling Targets – Change recycling target to 50%

ENS9, Joint Procurement – Minor revision to wording

Corporate Services

CS7, Financial Planning – Changed to reflect medium term financial strategy post 2014

Customer and Community Engagement

CCE1, Customer Services Project – Moved to strategic risk

CCE5, CCE7, - Removed

Strategy, partnership and Improvement

SPI7 - removed

4. Legal Implications

- 4.1. The Accounts and Audit Regulations (England) 2011 section 4(1) require the council to “ensure that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body’s functions and which includes arrangements for the management of risk.”
- 4.2. Further section 5 (1) (4) (i) requires that the Director of Finance and Corporate Services determines accounting control systems which include adequate measures to ensure that risk is appropriately managed.

5. Financial Implications

- 5.1. None

6. Diversity Implications

- 6.1. None

7. Contact Officer Details

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

CORPORATE STRATEGIC RISKS

ID	CAT.	RISK IDENTIFICATION (Describe risk and underlying cause)	IMPACT (Consequences of risk maturing)	Risk Owner	Inherent (raw) risk			Existing Controls	Sources of Assurance	Residual (net) risk			Movement Indicator	Further Actions	Deadline	Responsible Officer
					Impact	Likelihood	Risk Score			Impact	Likelihood	Risk Score				
S2	Political / Reputational	Civic Centre: Build over run / late occupation Failure of IT Customer Service failure														
RMP1	Reputational	Civic Centre Project (over run in completion) and / or Move to Civic Centre (systems failure).	Risk to Council's reputation. Delays in realising expected savings. Disruption to some services where leases have been terminated. Business Continuity arrangements.	Aktar Choudhury - Assistant Director Major Projects & Civic Centre	6	5	30	Programme Governance/ Civic Centre Programme Board/ Master Programme of Works - progress is monitored on an on-going basis. New governance arrangements have now been put in place with a new Programme Manager appointed to	Regular Progress Reports provided to Project Board.	6	4	24	↔	Move to Civic Project Governance embedded. Detailed communication plan in place for all staff.	December 2012 / April 2013	Aktar Choudhury / Caroline Rainhan
CCE1	Reputational / Service Delivery	Failure to achieve delivery of Customer Services Project. Insufficient operational capacity to deliver improvements to the Customer Services experience at the new Civic Centre.	Residents unable to communicate with council / Failure of project objectives (i.e. consolidation of Customer Services at Civic Centre)	Margaret Read - AD Customer Services	6	5	30	Regular monitoring of Project by Board. Strong project management in place. Robust project planning. Improvement plans and agreed protocols for Web and Digital Post Room teams.	1 - PMO Board and Brent Customer Services Board	6	4	24	↔	- Continual monitoring required to ensure delivery of project meets deadlines. Consultant to be appointed to manage project for 1 day a week and dedicated Cdvoc Centre Resource to be appointed.	Dec-12	Margaret Read - AD Customer Services
ITU 3.2	Service Delivery	Failure to Deliver Infrastructure for the NBCC	Significant effect on service delivery, increased backlogs	Stephan Conaway, Chief Information Officer	5	5	25	Heavy internal emphasis on delivering all aspects of the NBCC programme	ITU Programme Management Office, NBCC Programme	3	1	3		Ability to contract services out of house to supplement of supersede internal Operations.	1.1 2013	S. Conaway
S4	Economic / Socio Cultural / Financial	Economic recession and demographic change and welfare reform agenda including: Benefit caps, bedroom tax, council tax support.														
RMP3	Economic/ Political/ Socio Cultural	Welfare Reform. Increase in homelessness caused by high levels of service demand caused by housing and welfare reforms as well as the current economic climate.	Large-scale changes have been made or are planned to a number of welfare benefits, in particular housing benefit. LB Brent is the worst affected borough in the country impacted by these changes. Council unable to manage budget within agreed limits. Major impact on children within homeless families	Perry Singh - Assistant Director of Housing	6	6	36	Lobbying of Central Government. Partnership working with NHS. Preparing customers for impact of welfare reform through communications and proactive engagement. e. "Benefit are being cut" leaflet, briefing at area consultative forums and voluntary groups. Ongoing work to model impacts on housing need. Briefing reports to Executive and other political groupings on HB reforms. Contingency plans being drafted for impact on customer demand. Report to CMT 27th September 2012 includes an action plan and assessment of impacts. A welfare reform project team has been set up to implement the plan. A cross Council project board has been established, together with a smaller delivery team to take forward a detailed action plan. Delivery of the revised Accommodation Strategy Detailed budget monitoring arrangements in place Continue to focus resources on prevention of homelessness wherever possible Reduction in the use of high cost temporary accommodation and introduction of new measures	Regular monitoring. Reporting through to DMT and CMT.	5	6	30	New Entry	Delivery of action plan. A Welfare Reform Steering Group has been established to link with Children and Adult Services chaired by the Director of RMP to co-ordinate cross council action	Apr-13	Perry Singh

ID	CAT.	RISK IDENTIFICATION (Describe risk and underlying cause)	IMPACT (Consequences of risk maturing)	Risk Owner	Inherent (raw) risk			Existing Controls	Sources of Assurance	Residual (net) risk			Movement Indicator	Further Actions	Deadline	Responsible Officer
					Impact	Likelihood	Risk Score			Impact	Likelihood	Risk Score				
CF3	Socio Cultural/Reputational/Financial	Current economic climate and further reduction in funding levels leading to greater demand for services and potential inability to meet statutory responsibilities. Increase in family breakdown due to economic downturn. Rising child population and increasing levels of deprivation is likely to lead to increased demand for Children's Social Care services.	Increase in number of looked after children or greater demand for services for vulnerable and young persons. Certain key statutory responsibilities cannot be met.	Graham Genoni - Assistant Director, Social Care Division, Children & Families.	6	6	36	Improved budgetary controls; robust budget monitoring; improved commissioning arrangement. Services will be re-prioritised to meet the needs of the most vulnerable. Improved commissioning arrangements including cross borough work with WLA. Review of services delivery models, working with WLA to reduce SEN & Social Care placement costs and developing an effective Early Help offer for vulnerable families.	Management information reports track activity and identify trends, to which management are able to respond	4	6	24	↔	Early help projects will begin to deliver efficiencies in 2013/14.	ongoing	Graham Genoni - Assistant Director, Social Care Division, Children & Families.
ASS4	Financial / Economic	Budget / Demand - by 2020 high level figures estimated that demand will increase budgetary requirements 26% based on projected movements in demographics and populations with people living longer.	Changes in ways we deliver services and demand management strategies need to be put into place to protect the council's financial position.	Alison Elliot - Director Adult Social Care / Liz Jones, AD, Adult Social Care	6	5	30	Demand levels are continuously monitored and regular modelling and forecasting will help to keep a close watch on the situation.	Financial pressures are regularly reported and monitored through Strategic Finance Group and High Level Monitoring panel.	6	4	24	↔	None specific as routine monitoring and reporting arrangements are in place. Ongoing work is required to look at how to deliver the service differently to be able for the department to be able to deal with the projected increase in demand.	31/03/2013	DMT
S5	Legal / Political	The Council fails to comply with legal/statutory obligations including consultation and equality duty in implementing policy changes or failure to comply with	Increased dissatisfaction with council, increase in number of legal challenges and Judicial Reviews resulting in cost of defence and delay	Toni McConville - Director of Customer & Community Engagement Fiona Ledden Borough Solicitor	6	4	24	Area Consultative Forums; Brent Citizens Panel; User Consultative Forums; Equalities issues reported to CMT on a quarterly basis. Regular monitoring by CMT. Equalities Statement	Consultation Board.	6	3	18		Contentious issues flagged up through surgery system. New guidance on Equalities to be issued.	Dec-12	Jenny Dunne - Project Manager, Future Customer Services Project
S6	Technological	Inability to deliver technological changes to meet customer requirements and demand	Damage to reputation. Service delivery failure. Impact on future savings which rely on shifting customers on to more cost effective methods on contact especially self-service via the website.	Toni McConville - Director of Customer & Community Engagement	6	5	30	Regular monitoring by PMO and Brent Customer Services Board.	PMO and Brent Customer Services Board.	5	3	15		CMS (content management system) specification and prototype developed and reviewed by Customer Services Board. Governance arrangements agreed by Customer Services Board. Web enhancement project to be implemented to address limitations of current CMS.	Dec-13	Paula Buckley, Head of customer Services and Revenues
								Improvements and future direction considered by Digital Strategy Board								
S9	Legal / Reputational	Failure to provide sufficient school places														
CF1	Legal/ Political /Socio Cultural /Reputational	Continuing shortage of primary school places and shortage of Secondary School Places	Council unable to discharge statutory duty to provide education. Reputation damage, legal challenge, increased health and safety risks	Sara Williams - Assistant Director Early Help & Education	6	6	36	Lobbying Central Govt for additional funding; funding of £25m secured from central govt. to provide additional school places; Temporary expansions and Projects established to address shortfall; Regular reports to CMT & Executive to agree prioritisation of use of capital funding; Strategy Board meets on a regular basis; Standing Agenda Item in Overview & Scrutiny Committee Meetings. Programme of primary expansion being implemented following Executive decision in August 2012 and proposals for secondary expansion to be considered by executive in December 2012.	Regular monitoring by Overview & Scrutiny Committee; CMT & Executive.	6	4	24	↔	Continued lobbying and work with London Councils and Schools.	On-going	Sara Williams - Assistant Director Early Help & Education
RMP4	Reputational; Economic / Socio Cultural	Inability to deliver enough school capacity through the Schools Capital Programme	Council in breach of its statutory duty. Increasing numbers of children having to be educated out of Borough	Richard Barrett Assistant Director Property and Asset Management	5	6	30	Work with Children & Families Dept. to identify alternative education solutions Scope to identify future funding/grant funding options	Schools Expansion Policy agreed by Executive	4	5	20	↔		On going	Richard Barrett/Rajesh Sinha

KEY OPERATIONAL RISKS


ID	CAT.	RISK IDENTIFICATION (Describe risk and underlying cause)		Risk Owner	Inherent (raw) risk			Existing Controls	Sources of Assurance	Residual (net) risk			Movement Indicator	Further Actions	Deadline	Responsible Officer
		Impact	Likelihood		Risk Score	Impact	Likelihood			Risk Score						
Regeneration and Major Projects																
RMP2	Economic / Socio Cultural	Lack of external investment in regeneration of the borough	Reduced income receipts from business rates; reduction in housing supply within the borough. Increase in levels of poverty, unemployment and increased levels of deprivation within the borough.	Andy Donald - Director of Regeneration & Major Projects	6	6	36	De-risking by assisting with planning permissions etc. on behalf of developers; Maintaining dialogue with investors / developers. Reviewing other sources of capital finance.	Regular economic monitoring. Regular market contact.	5	5	25	↓	Ongoing economic monitoring and market contact	On-going	Aktar Choudhury/Dave Carroll
Children and Families																
CF2	Reputational / Political	Vulnerable children not adequately safeguarded.	Abuse, Death or injury of vulnerable persons. Reputational damage to Council.	Graham Genoni - Assistant Director, Social Care Division, Children & Families.	3	5	15	Safeguarding of Children Teams deal with child protection and safeguarding issues; Brent Local Safeguarding Children's Board; Safer Recruitment & Training; Whistleblowing; publicity; raising of awareness at Schools & community in general; Children & Young Persons Plans; Child Protection Arrangements; Strong partnership working with relevant agencies; High level monitoring meetings with Chief Executive; Corporate Parent Group; Auditing arrangements; Range of monitoring arrangements to track progress; Children & Families Overview & Scrutiny; Performance Information (quarterly scorecards); Timely reviews of Looked After Children There are robust management arrangements in place and safeguarding work is audited on a regular basis. Managers are receiving specific training on supervisory skills. New independent chair of LSCB and reviewed governance arrangements.	Recent Ofsted Inspection deemed that children were safe; Internal Service User Surveys; Internal Audit.	6	2	12	↔	Continuous Monitoring & Development; Safeguarding & Looked After Children Inspection Action Plan; Continued collaboration with relevant agencies.	On-going	Graham Genoni - AD Social Care Division
Adult Social Care																
ASS1	Legal/ Political /Socio Cultural / Reputational	Vulnerable persons (older persons; persons with physical & learning disabilities; mental health and other vulnerable adults) are not adequately safeguarded.	Abuse, Death or injury of vulnerable persons. Reputational damage to Council.	Alison Elliot - Director Adult Social Care	6	3	18	Safeguarding of Adults Teams deal with safeguarding issues. Safer Recruitment; training; Multi - Agency Policies and Procedures for Adults; ASC Transformation Programme; Reablement. Appointeeships/Deputyship arrangements in place after client needs have been assessed. Good links with Children's & Families and Legal to ensure robust adherence to safeguarding children's policies and procedures.	Care Quality Commission Inspections; Carers Survey; Internal Audit; Office of Protection.	6	2	12	↓	None	N/a	N/a
ASS5	Financial / Compliance / Service Delivery	Contract Management / Monitoring	The high value of existing contracts and the imminent transfer of Public Health contracts means that we need to ensure we are getting the best out of the arrangements to maximise value for money and mitigate against the projected rise in demand levels. The local provider market also needs to be developed further to meet the needs of legislative changes.	Alison Elliot - Director Adult Social Services / Steven Forbes, Head of Commissioning, Adult Social Services	6	4	24	We now have a dedicated commissioning function in place to strategically manage the provider market and we are reviewing and renegotiating existing service models and contractual arrangements.	New procurement protocols are in place and improvements are being made through the One Council programme.	6	3	18	↔	Although routine monitoring and reporting arrangements are in place, additional resource is required in this team to be able us to continue to improve.	31/03/2013	Steven Forbes, Head of Commissioning, Adult Social Services
Environment and Neighbourhood Services																

Movement since last

ID	CAT.	RISK IDENTIFICATION (Describe risk and underlying cause)	IMPACT (Consequences of risk maturing)	Risk Owner	Inherent (raw) risk			Existing Controls	Sources of Assurance	Residual (net) risk			Movement Indicator	Further Actions	Deadline	Responsible Officer	Movement since last
					Impact	Likelihood	Risk Score			Impact	Likelihood	Risk Score					
ENS1	Environmental / Economic	Effects of Climate Change not adequately planned for. Environmental Targets not met. Failure to understand and plan to mitigate the impact of and adapt to climate change. Failure to cope with severe weather events.	Negative impact on health & wellbeing of residents. Increase in energy costs and fees paid to the Environment Agency on Carbon Reduction Commitment Regulations and reputational risks for being at the bottom of the league table. Increase expenditure to make further adaptations and other levies.	Sue Harper - Director of Environment & Neighbourhood	6	4	24	Climate Change Strategy & Action Plan; Travel Plans; Recycling Schemes; Civic Centre; Climate Change Pledge; Waste Strategy, Carbon Management Programme and the Council's Green Charter.	Internal Audit - CRC Readiness Report. Audit by Environment Agency. Progress on Green Charter is reported to members	6	3	18	↔	N/A	Ongoing		
ENS2	Legal / Reputational / Environmental	Major or large scale incident (accident; natural hazard; riot) business interruption affecting Council's resources and its ability to deliver critical services. Risk to safety of staff / Loss of staff.	Service delivery disruption and impact on the Council's ability to deliver critical services.	Chief Executive; Sue Harper - Director of Environment & Neighbourhood	6	5	30	Community Resilience; Civil Contingencies Register; Emergency Planning	Emergency Planning & Business Continuity	6	3	18	↔	Regular review and assessment of robustness of plans	Ongoing	Martyn Horne - Head of BCP, Env & Neighbourhood	
ENS3	Service Delivery / Financial / reputational	Financial/ bankruptcy of major service provider/contractor i.e. waste, street cleansing, trees, parking. Performance targets not met.	Catastrophic failure in service delivery/disruption. Council unable to fulfil its statutory duties. Reputational damage and financial implications.	Sue Harper - Director of Environment & Neighbourhood	6	3	18	Robust Tendering & Contracting procedures with effective contract clauses when negotiating Contracts. The requirement for financial guarantee / bond / parent company guarantee. Effective Contract Management procedures & arrangements; regular meetings	Auditor's Reports; Internal Audit Reports; Performance Reports; Performance information.	6	2	12	↔	N/A	On-going	Sue Harper - Director of Environment & Neighbourhood	
ENS5	Financial/Reputational	Failure to meet Administration's recycling and composting target of 50% by March 2014. Resulting in higher disposal costs and increased waste to landfill	Higher disposal costs currently at £93 per tonnes and unable to deliver saving agreed. Reputational risk of being at the bottom of the league table.	Michael Read, Assistant Director	6	5	30	Communication plan to engage with residents to ensure effective use of the service on an on-going basis. Recycling and environment officers continue to monitor performance. The One Council 'Managing the Public Realm' project has work streams to minimise waste and improve recycling.	Robust and timely monitoring of performance by DMT and by Corporate Financial Steering Group. The OC project identify and report any	5	3	15	↔	N/A	On-going	Sue Harper - Director of Environment & Neighbourhood	
ENS6	Financial/service delivery	Income targets for Parking, Licensing and Pest Control not met.	E&NS will have to reduce services to fund these income shortfalls and may be unable to balance its budget	Sue Harper - Director of Environment & Neighbourhood	5	4	20	Timely and robust budgets monitoring. Risks identified under the One Council 'Parking Transformation' project will be managed through the departmental monthly portfolio reporting and the PMO	High level financial monitoring by DMT and Financial Steering Group. The OC project identified and report any concerns on	5	3	15	↔	N/A	On-going	Sue Harper - Director of Environment & Neighbourhood	
ENS9	Financial	Partners withdrawing from joint procurements resulting in delays in procurement start dates, renegotiations with contractors or financial risk resulting from possible legal challenge.	Changes to the joint procurement will reduce savings and incur additional costs on realigning specifications. The shortfall will have to be funded corporately.	Sue Harper - Director of Environment & Neighbourhood	6	4	24	Director and AD to meet with senior officers from partners boroughs to agree specifications for procurement and ensure that Memorandum of Understanding is signed	All partners sign memorandum of understanding and/or Inter Authority Agreement	6	3	18	New Entry	N/A	Jan-13	Michael Read - AD Environment and Protection Jenny Isaac - AD Neighbourhood Services	
Corporate Services																	
CS1	Economic / Reputational	Increased acts of significant fraud or corruption due to economic down turn.	Financial Loss and damage to Council's reputation.	Mick Bowden- Deputy Director of Finance	6	4	24	Anti-Fraud Framework; Whistleblowing Policy; Staff Code of Conduct; Audit & Investigations Unit; Conflicts of Interests Policy; Gifts and Hospitality Policy;	Audit & Investigations Reports / Investigations. NFI; Audit Commission	6	3	18	↔	Ani-Fraud Culture promotion; fraud training across the Council and to external organisations.	Ongoing	Simon Lane - Head of Audit & Investigations	
CS2	Technological/ Reputational	ICT systems failure/ severe or prolonged failure of ICT capability across the Council / breach of IT security either external or significant data loss by staff. Denial of Access. Proximity of new Civic Centre to Wembley Stadium - would take a major threat at the Stadium to have a significant impact on the Council's ICT capabilities.	Service delivery disruption. Financial penalties. Serious damage to Council's reputation.	Stephan Conaway - Director of Finance.	6	5	30	ICT Strategy; Disaster Recovery Plans place; ICT projects to improve technical infrastructure (info store; OnePrint etc.); Information Governance; S Access to Information Policy. IT Steering Group.	Test Results from Disaster Recovery Plans. IT Audits. Incident management process	6	4	24	↔	Security Policies & Protocols in need of review and revision.;	Ongoing	Stephan Conaway - AD, Information Technology.	
CS7	Financial	Failure to produce medium term financial strategy to address budget gap of £55m for 2014/15-2016/17	Impact - inability to protect vital frontline services and ensure that limited financial resources are targeted at council priorities	Mick Bowden - Deputy Director of Finance, F & CS	6	5	30	Process to update MTFS being developed	Existing MTFS approved by Council	6	4	24	↔	Consideration of options to close funding gap Consultation on priorities Agreement of new MTFS	30/09/2013	Mick Bowden - Deputy Director of Finance, F & CS	
CS10	Financial, Reputational	Pension Fund valuation position does not improve	Increasing drain on Council resources	Mick Bowden - Deputy Director of Finance, F & CS	5	5	25	Strategic asset allocation review undertaken and recruitment of new Head of Service underway	Monitoring of fund manager performance	5	4	20	↔	New Head of Service in place and is reviewing the arrangements regarding the fund's investments and operations.	31/03/2013	Mick Bowden - Deputy Director of Finance, F & CS	

ID	CAT.	RISK IDENTIFICATION		Risk Owner	Inherent (raw) risk			Existing Controls	Sources of Assurance	Residual (net) risk			Movement Indicator	Further Actions	Deadline	Responsible Officer	Movement since last
		(Describe risk and underlying cause)	IMPACT (Consequences of risk maturing)		Impact	Likelihood	Risk Score			Impact	Likelihood	Risk Score					
Strategy Partnership and Improvement																	
SPI9	Financial/service delivery	Shift from efficiency savings to delivering on transformational projects (Troubled Families)	Failure to deliver transformational change will mean that spending reductions will lead to decimation of council services and a bad deal for residents	Peter Stachniewski - Head of One Council Programme	6	6	36	Engagement of members with the One Council Programme and projects within it through: - leadership and championing of the Programme by the Leader and Deputy Leader; - refresh of the corporate strategy and development of a council target operating model which provides context for transformation; - effective engagement of members with individual transformation programmes.	Reports to Project Boards, One Council Programme Board CMT, Policy Co-ordination Group, and Overview and Scrutiny	5	4	20	↓	- Development of revised corporate strategy and target operating model - On-going work to engage leading members with the One Council Programme - Increased sense of ownership among members and officers of transformational change programmes	On-going	Peter Stachniewski - Head of One Council Programme	

This page is intentionally left blank

	<p style="text-align: center;">Audit Committee 20 March 2013</p> <p style="text-align: center;">Report from the Deputy Director of Finance and Corporate Services</p>
<p>For Action Wards Affected: ALL</p>	
<p style="text-align: center;">Anti-Fraud and Bribery Policy 2013</p>	

1. Summary

- 1.1. This report seeks approval for the council's new Anti-Fraud and Bribery Policy and for the roll out of an e-learning package developed for the National Fraud Authority by Deloitte.

2. Recommendations

- 2.1. The Audit Committee approve the draft Anti-Fraud and Bribery Policy and the roll out of the e-learning package.

3. Background

- 3.1. The council's existing Anti-Fraud Framework ⁽¹⁾ was published in January 2008 and disseminated to staff in the early part of that year, together with relevant fraud awareness training. The framework is posted on the internet and is referenced within the code of conduct and disciplinary code. Probity and integrity have been a feature of the Chief Executive's induction programme. However, it is considered that knowledge and awareness of the policy has become dissipated with structural and staffing changes and it is good practice to reinforce the anti-fraud message amongst staff on a regular basis. In addition, there have been a number of significant developments since 2008 which necessitate the implementation of a new policy.
- 3.2. In 2012 the National Fraud Authority produced an e-learning tool for local authorities to use in disseminating anti-fraud awareness. This tool is free and was developed in conjunction with local authorities. It is proposed that the council utilise this resource in conjunction with face to face presentations to be delivered by the Audit and Investigation team.
- 3.3. This report seeks approval for the anti-fraud and bribery policy, attached at appendix 1 and for the roll out of the e-learning package developed by the National Fraud Authority.

4. Introduction

- 4.1. The council has maintained a keen focus on anti-fraud since the early 1990's, with strong support from Members, the Corporate Management Team and Service Area Directors. A robust line has been taken against fraud and financial irregularity and this has resulted in a much improved public image of the council, from a position where it was known as "Barmy Brent" or the London Borough of "Bent", to one where it is seen as taking probity seriously.
- 4.2. In 1994 the council set up a dedicated anti-fraud resource, the Special Investigations Unit (SIU), to counter a growing number of complex and sensitive internal enquiries and to address the government's requirements in relation to housing benefit fraud. Fraud investigators within the housing benefit department were co-located with internal audit investigators to establish the first corporate fraud team in London and, possibly, the country. In 1996, the tenancy fraud investigator based in housing was transferred into this team and the full benefits of co-location, intelligence sharing, pooled resource, single line management and reporting began to be realised.
- 4.3. In 2000 this unit remerged with the existing compliance audit team to create the Audit and Investigations Unit. The investigation element of this combined team works with managers, governing bodies and head teachers to deal with fraud and financial irregularity across all of the council's services and schools.
- 4.4. In 2012 the National Fraud Authority estimated that some £73 billion is lost to fraud across all sectors within the UK with just over £20 billion being attributed to the public sector. Of this, some £2.2 billion is estimated to be lost by local government. This figure excludes £300 million of housing benefit fraud which, although currently administered by the council, will shortly form part of the government's Universal Credit system of welfare support.
- 4.5. The Audit Commission reported £179 million of detected fraud in local government in 2011/12. Local authorities, whilst being praised for their approach to anti-fraud, clearly need to do more to bring down the level of estimated losses and increase detection to reduce the gap. Furthermore, the recovery of fraud losses is relatively low and, hence, the financial damage done by fraudsters to local government finance and the community is immense.
- 4.6. Losses at an individual local authority level have not been estimated. However, it is safe to assume that Brent is no different to any other large local authority and is equally susceptible to the full range of fraud affecting local government. Indeed the council has been more proactive than most in identifying and dealing with both internal and external fraud.
- 4.7. Since the publication of the council's last anti-fraud framework in 2008 there have been a number of significant developments in the national strategy to counter-fraud. Following the government's Fraud Review⁽²⁾, the National Fraud Authority was established to oversee and develop a UK counter fraud strategy. The government has also established a Fighting Fraud Together task force which has produced a national, cross sector, fraud reduction plan, "Fighting Fraud Together"⁽³⁾ and within this, a strategy for tackling fraud within local government, "[Fighting Fraud Locally](#)"⁽⁴⁾. The Fighting Fraud Locally strategy was developed by local government practitioners

and, whilst there is no requirement to adopt its principles, given the council contributed significantly to the document it would seem sensible to follow the general tenets of the document. The strategy proposes three themes, Acknowledge, Prevent and Pursue (APP). The council's existing anti-fraud themes of prevention, detection, investigation and remedy can be easily assimilated into the APP banner and it would seem sensible to align the council's strategy with that of the national local government strategy. Hence, the new anti-fraud policy has been drafted to follow the APP themes.

- 4.8. In addition to this renewed government focus on fraud, there has been a significant change to corruption legislation. The historic prevention of corruption acts of the early 1900s have been replaced by a single Bribery Act in 2010. As well as covering the usual offences of paying and receiving bribes, the new act introduced a corporate offence which is brought against a corporate body as a commercial organisation if any of its employees pays or offers a bribe and the organisation had insufficient procedures to prevent bribery. Whilst it is considered unlikely that any of the council's employees would pay a bribe in order to secure an advantage for the council or service unit (primarily because the council does not normally bid to supply goods or services) it is important to reflect the new requirements within the anti-fraud policy. Therefore, the new policy includes a specific section on Bribery.
- 4.9. New external fraud risks have also emerged with the further roll out of personal budgets in social care, the introduction of a localised council tax reduction scheme and the transfer of the social fund from the Department for Work and Pensions to local government. In addition, the proposed Single Fraud Investigation Service (SFIS) to investigate all welfare benefit fraud all have implications for the council's own anti-fraud processes. The new policy covers the approach to these new risks.
- 4.10. Furthermore, local government is facing the toughest funding settlement for decades. The council needs to find savings of £100m over four years to 2014 to balance its budget and is likely to face further cuts up to 2018. Such cuts inevitably fall heavily upon staff and particularly management posts, posing a threat to traditional controls to prevent and detect fraud, such as supervision and separation of responsibilities. Coupled with an economic recession, which carries its own fraud risks, significant welfare reform and greater commissioning of local authority services, the risk of fraud has never been higher. The new policy reinforces the need for managers to remain alert to the possibility of fraud within their areas of responsibility.
- 4.11. Finally, the government's proposals to create a single fraud investigation service (SFIS) combining investigators from local government, the Department for Work and Pensions (DWP) and HMRC to investigate Universal Credit have the potential to derail the anti-fraud effort within individual authorities, making them less resilient to fraud.
- 4.12. Therefore, the council needs a clear and robust policy on fraud which seeks to maximise the resources available to those in genuine need. An explanation of the policy design and structure is set out in the detail section below.
- 4.13. As part of the Fighting Fraud Locally strategy the National Fraud Authority produced an e-learning package which can be delivered via a web browser. This package has been reviewed by the Head of Audit and Investigations and is considered suitable for

staff.

- 4.14. The draft policy has been circulated to CMT members and the Head of Audit and Investigation has attended a number of DMT's to discuss the content and receive feedback from service heads. This feedback has already been incorporated into the attached draft.

5. Detail

Executive Summary

- 5.1. Sets out the critical points within the document

Letter and Preamble

- 5.2. The letter introducing the policy and the preamble are designed to remind staff of the significance of fraud, how it affects the council's services and the wider community, their responsibilities and to demonstrate commitment to the policy at the highest level of the organisation across all political groups.

Principles of Public Life

- 5.3. This is a new addition to the document and sets out the principles of public life as a reminder to staff and members of the overarching ethical framework.

Part 2 - Anti-Fraud Policy, Anti-Fraud Culture

- 5.4. The anti-fraud policy section has a number of sub-sections. It sets out the council's commitment to the eradication of fraud, corruption and misappropriation and to the promotion of high standards of integrity. It also recognises the council's fiduciary duty to protect funds. The strategy sets out the themes of Acknowledge, Prevent and Pursue to mirror those set out in the national local government strategy, "Fighting Fraud Locally"⁽⁴⁾.
- 5.5. The policy has a section on the anti-fraud culture which sets out the national context in terms of estimated losses and identified fraud together with the council's internal governance arrangements. It places a particular onus on the leadership to set a good example and, including their personal conduct outside the workplace. This makes a particular reference to the submission of misleading documents for official purposes. It is intended to deter the submission of false information to any public body.
- 5.6. The diagram on page 9 is intended to demonstrate how the three APP themes fit within an overall anti-fraud culture and to set out some of the delivery mechanisms for each theme. The following table then sets out, under each theme, how the delivery mechanisms will be addressed for each fraud threat.

Anti-Fraud Policy, Acknowledge

- 5.7. The Acknowledge sections concerning members, staff and contractors are relatively self explanatory. In relation to the public, due to the diverse nature of services provided, specific mention is made of housing benefit, social housing and the new

threats which are emerging.

- 5.8. Due to the scale of expenditure and loss, housing benefit fraud has received significant attention from central government. Local authorities, who administer housing benefit on behalf of the DWP are expected to maintain a secure benefit payment system and deploy adequate resources to investigate fraudulent claims. Until 2006 various financial incentive regimes existed to encourage the identification and prosecution of false claims. Currently, there is a potentially perverse subsidy scheme which can deter the identification of fraudulent claims through a 60% reduction in the subsidy available for fraud and error. This means that for every £1,000 of benefit paid out, which would normally attract full subsidy from the DWP, if identified as fraudulent the council loses £600 in subsidy. It may, however, keep all of the recovered overpayment and, hence, potentially can make a “profit” £400 for every £1,000 identified, if it is able to recover the full amount. Due to the difficulties in tracking recovery over the many years it takes to recover individual overpayments, it is not possible to determine whether identifying fraudulent cases is financially beneficial to the council. However, the Audit and Investigation team has, in recent years, been concentrating its resources on high value, serious fraud where there are better prospect of recovery through prosecution and the use of confiscation orders under the Proceeds of Crime Act 2002. The council has maintained a high profile in dealing with HB fraud with numerous press releases and generally receives positive media coverage for its efforts.
- 5.9. However, this is unlikely to continue over the longer term with the introduction of Universal Credit and the absence of local government as a provider of national benefit delivery. In 2010, the government announced its intention to establish a Single Fraud Investigation Service (SFIS) which would bring together investigators from local government, the DWP and HMRC to investigate all welfare fraud. This was closely tied to the implementation of Universal Credit. The initial announcement was made with no consultation with local government and has been the subject of significant debate within the representative groups. There have been various announcements made by the DWP in the intervening period and a number of u-turns. Recent plans included the establishment of SFIS from April 2013 with all investigators within local government working to a single DWP national policy and procedure on fraud whilst remaining employed and managed by their local authority. This was recently revoked and there are no plans to bring this in, other than in four pilot authorities, until April 2014. The DWP have confirmed that SFIS will not investigate council tax support. Thus creating a situation where, although the desire is for a single service to investigate all welfare fraud, separate investigators will be required for council tax support. In summary, housing benefit fraud remains a council responsibility and it will continue to be investigated alongside council tax benefit and council tax support from April 2013. This element of the Anti-Fraud policy will need to be reviewed once Universal Credit has been implemented or SFIS becomes a reality, whichever is the sooner.
- 5.10. Over recent years the Audit Commission and government have focused attention on the issue of unlawful sub-letting and other social housing fraud. In their “Protecting the Public Purse”⁽⁵⁾ publication of 2009 the Audit Commission identified that council’s were not doing enough to tackle tenancy fraud which they estimated was resulting in a reduction of some 50,000 properties being available for social housing. This was

raised in the three subsequent annual reports and in the latest “Protecting the Public Purse 2012”⁽⁶⁾ the commission argue that tenancy fraud is the single largest category of loss to local government and estimate the level of fraud to be between 4% and 6%. They have revised their national estimate of lost properties to 98,000. If the estimates were accurate, the figure for Brent would be in the region of 450 properties.

- 5.11. The Commission’s findings were supported, to a degree, by the government providing additional funding to all London local authorities in 2010, 2011 and 2012. This funding was part of the Preventing Homelessness grant and therefore not ring-fenced to fraud. DCLG provided amounts of £50,000, £100,000 and £100,000 in each year respectively and A&I have utilised this funding to provide additional services to Registered Housing Providers and to increase resources by two investigator posts. It is unclear whether or not this funding will continue in 2013/14. A&I have requested additional funding from Regeneration and Major Projects (RMP) to support this work on the basis that it enables the release of unlawfully sub-let housing stock for the use of genuine applicants, resulting in significant savings to the temporary accommodation budget. A&I are also in the process of drafting letters to request meetings with RSL to see if they are prepared to part fund the resource.
- 5.12. The pressure on housing is immense within the borough and each tenancy lost to a false application or a sub-let, means one extra family in bed and breakfast or temporary accommodation. Audit and Investigations recovered 37 properties in 2011/12 and are likely to exceed this in 2012/13 by some 20 properties. It is important for the council to maintain a focus on this type of fraud in order to help manage the temporary accommodation budget.
- 5.13. In addition to the significant housing benefit and tenancy threats, new areas are emerging as key risks for the council. These include council tax support (replacing council tax benefit from April 2013), business rates, council tax discounts such as single person and student and social fund payments (transferring from the DWP). It is also likely that the increasing use of direct payments within social care will represent a threat.

Anti-Fraud Policy, Prevent

- 5.14. The prevent section sets out the various systems and process which are in place to detect and deter fraud.

Anti-Fraud Policy, Pursue

- 5.15. This section sets out the remit of the Audit and Investigation team in relation to fraud and the approach the council will take when fraud is identified. It is intended to establish a robust approach to dealing with fraud and includes a section on contractors, requiring some terms and conditions concerning fraud to be written into contractual arrangements.
- 5.16. The section makes reference to a sanction policy which is set out in the following section.

Part 3 – Sanction Policy

- 5.17. This section sets out the council's policy in relation to various sanctions, primarily the use of prosecution. It establishes the council's legal service as the primary prosecutor and gives scope to refer matters to the Crown Prosecution Service (CPS) via the police or directly.
- 5.18. The Director of Legal and Procurement is identified as the officer who will decide whether or not to institute criminal proceedings on behalf of the council following a referral from the Head of Audit and Investigation. The considerations mirror those set out in the Code for Crown Prosecutors, 2013.
- 5.19. In relation to staff the policy provides for "triple track" sanctions of discipline, civil recovery and prosecution where appropriate.
- 5.20. The policy sets out the additional statutory sanction options for housing benefit fraud and covers the potential to prosecute tenancy and other external fraud. It also sets out the council's intention to use the Proceeds of Crime Act 2002 to recover lost amounts and additional funds through the incentivisation scheme.

Part 4 – Bribery Policy

- 5.21. This is a new section within the framework and is designed to address the requirements of the Bribery Act 2010.
- 5.22. The Bribery Act came into force on 1st July 2011 and replaces the Public Bodies Corrupt Practices Act 1889, the Prevention of Corruption Act 1906 and the Prevention of Corruption Act 1916, collectively known as the Prevention of Corruption Acts 1889-1916.
- 5.23. In essence, as far as local authority employees or members are concerned, bribery is the offering, giving or accepting of a financial or other advantage, by an individual in order to influence the performance of a function. This might, for example, include the award of a contract, granting of planning permissions, licences or the inappropriate provision of data.
- 5.24. Other offences introduced by the act, include bribery of a foreign public official and bribery by a corporate body. Neither of these are likely to apply to the council.
- 5.25. The Act creates an offence under section 7 regarding commercial organisations who fail to prevent persons associated with them from bribing another person on their behalf. Commercial organisations include a corporate body and therefore a Local Authority is within this definition. This would only apply if an "associated person" paid a bribe (not received one) to gain an advantage for the organisation and is, therefore, considered unlikely. An associated person would definitely be an employee or member and could be a contractor. An offence may be committed if the organisation cannot show it has adequate anti-bribery policies and procedures. The Secretary of State for the Ministry of Justice published guidance in 2011 on adequate procedures although these are high level. ⁽⁷⁾

- 5.26. An organisation that can prove it has adequate procedures in place to prevent persons associated with it from bribing will have a defence to the section 7 offence. The guidance from the Ministry of Justice includes ensuring the organisation: has proportionate policy and procedures; top level commitment; conducts a bribery risk assessment; due diligence on posts which may present a risk; communicates to employees including providing training and monitors and reviews its policies and procedures designed to prevent bribery by persons associated with it.

6. Financial Implications

- 6.1. None

7. Legal Implications

- 7.1. The Bribery Act 2010 seeks to provide a revised framework to combat bribery in the public or private sectors and removes the need to prove that acts were done corruptly or dishonestly. The Bribery Act 2010 replaces the previous bribery offences in the legislation which was known as the Prevention of Corruption Acts 1889-1916.
- 7.2. The new offences in the Bribery Act 2010 include active bribery (i.e. giving, promising or offering a bribe) in section 1, passive bribery (i.e. accepting, asking for or agreeing to receive a bribe) in section 2 and bribery of foreign public officials in section 6. The Act provides a maximum penalty of 10 years' imprisonment or an unlimited fine for all the offences on individuals and an unlimited fine only for commercial organisations.
- 7.3. Section 7 of the Bribery Act 2010 creates a new offence of "failure of a commercial organisation to prevent bribery". This section states that a commercial organisation will be liable to prosecution if a person associated with it bribes another person intending to obtain or retain business or an advantage in the conduct of business for that organisation. The commercial organisation will have a full defence if it can show that despite a particular case of bribery, it nevertheless had adequate procedures in place to prevent persons associated with it from bribing. The burden of proof will be on the commercial organisation on the balance of probabilities to show that it has proper compliance procedures in place. Local authorities come within the description of "commercial organisation".
- 7.4. Section 14 of the Bribery Act 2010 provides that senior officers of a body corporate may be prosecuted if an offence is proved to have been committed by a corporate body with their consent or connivance.
- 7.5. Statutory Guidance has been provided by the Ministry of Justice under section 9 of the Bribery Act 2010 regarding procedures which relevant commercial organisations can put into place to prevent persons associated with them from bribing. The Guidance states that the Government considers that procedures put in place by commercial organisations wishing to prevent bribery being committed on their behalf should be informed by six principles – namely: (1) proportionate procedures; (2) top-level commitment; (3) risk assessment, (4) due diligence; (5) communication (including training) and (6) monitoring and review.

7.6. Furthermore, the Crown Prosecution Service and the Serious Fraud Office have provided Joint Guidance as to how they will apply the Code for Crown Prosecutors when deciding whether to prosecute offences under the Bribery Act 2010.

8. Diversity Implications

8.1. None

9. Background Papers

1. **Brent Council.** Anti Fraud Framework. *Brent Council*. [Online] 23 April 2012. [Cited: 2 January 2013.] [http://www.brent.gov.uk/stratp.nsf/Files/LBBA-251/\\$FILE/Anti_Fraud_Framework_2008.pdf](http://www.brent.gov.uk/stratp.nsf/Files/LBBA-251/$FILE/Anti_Fraud_Framework_2008.pdf).
2. **Attorney General.** *Fraud Review*. London : Home Office, 2006.
3. **Home Office.** Fighting Fraud Together. *Home Office*. [Online] 23 October 2012. [Cited: 2 January 2013.] <http://www.homeoffice.gov.uk/publications/agencies-public-bodies/nfa/fighting-fraud-tog/fighting-fraud-together?view=Binary>.
4. **Local Government Oversight Board.** Fighting Fraud Locally. *Home Office*. [Online] 2 April 2011. [Cited: 2 January 2013.] <http://www.homeoffice.gov.uk/publications/agencies-public-bodies/nfa/fighting-fraud-locally-strategy/strategy-document?view=Binary>.
5. **Audit Commission.** *Protecting the Public Purse*. London : Audit Commission, 2009.
6. —. *Protecting the Public Purse*. London : Audit Commission, 2012.
7. **Ministry of Justice.** *The Bribery Act 2010*. London : Ministry of Justice, 2010.

10. Contact Officer Details

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

Mick Bowden
Deputy Director of Finance and Corporate Services

This page is intentionally left blank

BRENT COUNCIL – ANTI-FRAUD AND BRIBERY POLICY

Executive Summary

Fraud in local government is estimated to cost the country in excess of £2bn and with wider public sector losses of more than £20bn contributing to a total loss of more than £73bn equivalent to £1,440 per UK adult, fraud is a serious and growing problem.

Whilst the majority of public sector loss relates to the national tax and welfare systems, local government has a significant role to play in reducing its own fraud losses to a minimum. This requires every council employee, contractor, consultant, teacher, support staff, member and governor to protect the public funds which they administer from fraud and misappropriation.

Staff and members, particularly those in leadership roles, are expected to maintain the highest standards of integrity and to abide by the principles of public life. As recently stated by the Committee on Standards in Public Life (2013):

“High standards of behaviour need to be understood as a matter of personal responsibility, embedded in organisational processes and actively and consistently demonstrated, especially by those in leadership positions.”

The council and its schools will not tolerate fraud or corruption and will invoke the strongest possible sanctions against staff and members who commit fraud or whose standards of conduct fall short of those expected. It is important for those in a leadership position, including members, to avoid inappropriate conduct in conflict of interest situations.

The council acknowledges that it faces numerous fraud threats, both internally and externally and it will implement sound control systems to prevent fraud and bribery. The council will train its staff to identify fraudulent claims for benefits and other assistance provided to the public and will maintain an appropriately skilled anti-fraud resource to deal with allegations of fraud by staff, members and the public. All instances of proven fraud will be subject to sanctions in accordance with the council's sanction policy.

The council will ensure that where third parties are responsible for administering council funds or collecting income on behalf of the council, they will have adequate control procedures in place to protect those funds from fraud and abuse.

This policy compliments those other policies which govern officer and member conduct, including the Staff Code of Conduct, Disciplinary Code, Financial Regulations and Brent Members Code of conduct and other codes and protocols as set out in the council's constitution.

BRENT COUNCIL – ANTI-FRAUD AND BRIBERY POLICY

Contents

Executive Summary 1
Preamble – Your duties as an employee of the council, school or contractor working for the council4
Part 1 - The Principles of Public Life5
Part 2 – Anti-Fraud Policy6
 Policy Statement6
 Definitions.....6
 The Anti-Fraud Culture8
 Driving Down Fraud.....10
Part 3 - SANCTION POLICY.....16
 Policy Statement16
 Introduction.....16
 Evidential Stage Test.....17
 Public interest test17
 Members / Staff / Teachers / School Support Staff18
 Welfare Benefit Fraud.....18
 Housing Fraud.....18
 Other Fraud19
 Proceeds of Crime.....19
Part 4 - Bribery Policy20
 Policy Statement20
 Introduction.....20
 Commitment to Anti-Bribery20
 The offences under the Bribery Act 201021
PART 5 – Contact Details22

Page 106

BRENT COUNCIL – ANTI-FRAUD AND BRIBERY POLICY

Letter from the Leader, Chief Executive and Group Leaders

To: All Members and Staff

Never has there been such a need to protect the financial resources of the council and its residents. The reduction in local government funding and increased demand for our services is unprecedented. We need to maximise the resources available to us and ensure that losses to fraud are minimised.

Fraud is a serious problem. In 2012 the National Fraud Authority estimated that some £73 billion was lost to fraud, equivalent to £1,440 per adult. Of this £20 billion relates to the public sector, money which could be spent on vital services. Local government loses an estimated £2.2 billion of its own resources. Brent, like any large authority faces the full range of internal and external threats and all of us, members, governors, officers, teachers and support staff, must make it a priority to reduce losses to a minimum.

The council has established itself as an authority that puts probity and accountability high on its agenda, which takes fraud and corruption seriously and is prepared to find it and deal with it. More so than ever, the message to all members, staff, contractors and the public is clear: That malpractice, in any form, will not be tolerated.

One of our key priorities is to ensure continued probity, standards and transparency in the conduct of all our business and decision-making at both the officer and councillor levels, hence our staff and members are expected to observe the highest standards of conduct.

The fraud and bribery policy builds upon the previous Anti-Fraud Framework, agreed in 2008.

All council staff are reminded that it is their duty, as public employees, to report any financial or professional misconduct and the council has a well-established 'whistle blowing' procedure for anyone who has well-founded suspicions or concerns to report.

You are expected to read this policy, seek clarification where necessary and apply its principles in the conduct of your duties.

Signature and photos

Chief Exec, Leader and group leaders

BRENT COUNCIL – ANTI-FRAUD AND BRIBERY POLICY

Preamble – Your duties as an employee of the council, school or contractor working for the council

As an employee of the council or any of its maintained schools, you must comply with the staff code of conduct. You must at, at all times, act with honesty and integrity.

You must not commit fraud or theft against your employer, any public body or a client of the council. This includes but is not limited to:

- Providing false information when applying for a job with the council
- Providing false identity or right to work documentation
- Making any false claim for pay or expenses
- Forging or counterfeiting any document used to make a financial gain or cause a loss to the council
- Providing false information or failing to provide the correct information for the purposes of personal gain or the gain of others
- Failing to declare a conflict of interest
- Falsifying time sheets and expense claims
- Misusing a Disabled Persons Badge or Institutional Blue Badge
- Fraudulently claiming a benefit or grant administered by Brent or any other council
- Fraudulently claiming any benefit administered by the Department for Work and Pensions, Her Majesty's Revenue and Customs or National Health Service
- Stealing from any client of the council
- Using council facilities for private purposes for yourself, friends family or others
- Claiming concessions which you are not entitled to
- Working for another organisation, running a business or being self-employed whilst expected to be working for the council, including whilst off sick
- Using council facilities to support a private business

Suspect fraud, corruption or money laundering?

As an employee, agency staff, contractor, teacher or support staff in schools - If you suspect fraud or bribery in any of the council's or school's activities, either committed by a member of the public or a member of staff, you have a duty to inform the Audit and Investigations Team. You can either do this directly or via your manager.

Fraud Hotline 020 8937 1279

BRENT COUNCIL – ANTI-FRAUD AND BRIBERY POLICY

Part 1 - The Principles of Public Life

Principle	Description
<i>Preamble</i>	The principles of public life apply to anyone who works as a public office-holder. This includes all those who are elected or appointed to public office, nationally and locally, and all people appointed to work in the civil service, local government, the police, courts and probation services, NDPBs, and in the health, education, social and care services. All public office-holders are both servants of the public and stewards of public resources. The principles also have application to all those in other sectors delivering public services.
<i>Selflessness</i>	Holders of public office should act solely in terms of the public interest.
<i>Integrity</i>	Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.
<i>Objectivity</i>	Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.
<i>Accountability</i>	Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.
<i>Openness</i>	Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.
<i>Honesty</i>	Holders of public office should be truthful.
<i>Leadership</i>	Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

BRENT COUNCIL – ANTI-FRAUD AND BRIBERY POLICY

Part 2 – Anti-Fraud Policy

Policy Statement

The council is committed to the eradication of fraud, corruption and misappropriation and to the promotion of high standards of integrity. Our desire is to be a model of public probity, affording maximum protection to the funds we administer.

To deliver the council's corporate strategy we need to maximise the financial resources available to us. In order to do this we must reduce fraud and misappropriation to an absolute minimum.

Furthermore, the council recognises its fiduciary responsibility to protect public funds and we will implement secure systems and instil high standards of conduct in our staff. We will seek the strongest possible sanctions against those who seek to defraud the council. This includes our own members, staff including those in schools, contracting partners and external individuals and organisations.

Our strategy to combat fraud, bribery and misappropriation is built upon three key themes: Acknowledge, Prevent and Pursue. These themes exist within the overall context of an Anti-Fraud Culture promoted by the council through its leaders, governance arrangements and general approach to fraud.

Purpose

This document sets out the council's policy and strategy in relation to fraud and bribery. It has the full support of Members and the Corporate Management Team. It is designed to underpin all our efforts to minimise the risk of fraud and corruption and its impact.

Definitions

Theft

Theft is stealing any property belonging to the council or which has been entrusted to it (i.e. client funds), including cash, equipment, vehicles, data. Theft does not necessarily require fraud to be committed. Theft also includes the stealing of property belonging to our staff or members whilst on council premises.

Fraud

The [Fraud Act of 2006](#) introduced the first legal definitions of fraud. These legal definitions are used for the criminal prosecution of fraud offences. The council also deals with fraud in non-criminal disciplinary matters. For the purposes of this policy fraud is considered to be any action taken by an individual, group or organisation which is designed to facilitate dishonest gain at the expense of the council, the residents of Brent or the wider national community.

Bribery

Bribery is the offering, promising or giving of a financial or other advantages designed to induce an individual to take an improper decision or action. These inducements can take many forms including cash, holidays, event tickets, meals.

BRENT COUNCIL – ANTI-FRAUD AND BRIBERY POLICY

Financial malpractice/irregularity

This term is used to describe any actions which represent a deliberate, serious breach of accounting principles, financial regulations or any of the council's financial governance arrangements. They do not have to result in personal gain. They will include situations where undisclosed conflicts of interest result in some form of benefit.

BRENT COUNCIL – ANTI-FRAUD AND BRIBERY POLICY

The Anti-Fraud Culture

In 2012 the National Fraud Authority estimated that some £73 billion is lost to fraud across all sectors within the UK with just over £20 billion being attributed to the public sector. Of this, some £2.2 billion is estimated to be lost by local government. This figure excludes £300 million of housing benefit fraud which, although currently administered by the council, will shortly form part of the government's Universal Credit system of welfare support.

The Audit Commission reported £179 million of detected fraud in local government in 2011/12. Local authorities, whilst being praised for their approach to anti-fraud, clearly need to do more to bring down the level of estimated losses and increase detection to reduce the gap. Furthermore, the recovery of fraud losses is relatively low and, hence, the financial damage done by fraudsters to local government finance and the community is immense.

Losses at an individual local authority level have not been estimated. However, it is safe to assume that Brent is no different to any other large local authority and is equally susceptible to the full range of fraud affecting local government.

The council must have a strong and identifiable Anti-Fraud Culture where the council's leaders, both elected and employed, uphold the highest standards of conduct both in their duties and in their own personal financial dealings.

Leadership is the cornerstone of any organisation. Leaders set the example that the rest of the organisation follows. The elected councillors in this organisation are expected to set an example to each other, our staff and the community that we serve.

Similarly, there is a special onus upon the Executive, Corporate Management Team and Senior Officers to set examples of conduct, in their financial dealings, which are beyond reproach and fully accountable. This includes financial dealings away from the workplace. For example, it is difficult to set a good example if you are making false tax returns.

We have already come a long way in developing our anti-fraud culture, our first anti-fraud statement was agreed by the full council in 1997, the first full framework was produced in 2003 and renewed in 2008. We are now building upon those foundations and taking steps to ensure that we do not become complacent, identify new and emerging risks and continue to deal robustly with instances of fraud and irregularity.

The council takes ultimate responsibility for the protection of our finances and those that are administered on behalf of central government or the community. In turn, our managers have a duty to protect their service area from losses due to fraud and irregularity and are responsible for assessing fraud risk, implementing proper internal controls and other strategies to mitigate risk. Our Managers are expected to be fully familiar with the services they provide and must be cognisant of the fraud risks in their service area. Some services will be at particular risk of attack from external sources, i.e. council tax, national non-domestic rate, renovation grants, direct payments and social housing. In fact, any service which, either, pays money directly, reduces a liability or gives a service of value (i.e. a council property) where there is some sort of claim or application made, is at a high risk of fraud.

In addition, all council services are susceptible to internal fraud through, for example, false pay, allowance or sickness claims and abuse of their position by officers for private gain or the gain of relatives or friends. This is also equally true within schools.

The corporate framework, which underpins the operation of the council, has a number of facets that exist to fortify the council against fraud. These include:

BRENT COUNCIL – ANTI-FRAUD AND BRIBERY POLICY

- [The Constitution](#), [Financial Regulations](#) including those for schools, [Standing Orders](#) and the [Scheme of Delegation](#).
- An established Audit Committee
- Governance reviews
- A Director of Finance and Corporate Services with statutory responsibility for the oversight of all financial affairs.
- A Director of Legal and Procurement with statutory responsibility for monitoring the legality of the council's affairs
- Declaration of interest and gifts and hospitality procedures for Members and Officers
- Effective employee vetting procedures (recruitment checks and DBS where appropriate and a detailed staff code of conduct
- A corporate Induction programme for all staff which includes expected standards of probity.
- Effective disciplinary procedures
- Internal controls regularly reviewed and annually certificated by managers
- Periodic checks by Internal Audit
- A confidential reporting code (Whistleblowing procedure)
- An anti-fraud and bribery policy
- A complaints procedure available to the public
- Public inspection of accounts and questions to the External Auditor
- An external audit
- A dedicated audit and investigation team whose work programmes includes proactive work, determined by a formal risk assessment.
- Participation in national anti-fraud initiatives.
- The promotion of awareness of anti-fraud and bribery issues, reinforced by training and publicity.
- A proactive IT security function

The council takes a holistic approach to anti-fraud measures. Fraud prevention, detection and system security are an integral part of the development of new systems and projects. Project Managers must consider the fraud and security threats and take advice where appropriate when implementing any systems.

The holistic approach extends to the investigation of allegations and the prevention of fraud through system reviews. The Audit and Investigation Team provide the council's fraud investigation and internal audit functions in a seamless manner. They employ a multi-disciplinary approach to the prevention, detection, investigation and remedy of fraudulent activity. In addition the team are free to work with other agencies in pursuance of the council's anti-fraud aims.

Our strategy to reduce fraud is based on three themes: Acknowledge, prevent and pursue within an over-riding anti-fraud culture. We will promote this culture across all our services areas and within the community as a whole. One pound lost to fraud means one pound less for public services. Fraud is not acceptable and will not be tolerated.

Driving Down Fraud

ANTI FRAUD CULTURE

- LEADERSHIP STYLE
- ORGANISATION VALUES
- CORPORATE INDUCTION
- CODES OF CONDUCT
- STRONG DISCIPLINARY ACTION
- ZERO TOLERANCE

Page 114

Acknowledge

- RECOGNISE AND UNDERSTAND FRAUD RISK
- COMMIT RESOURCE TO TACKLING FRAUD

Prevent

- FRAUD AWARENESS TRAINING
- EMPLOYEE VETTING
- SOUND CONTROLS
- DETERRENCE

Pursue

- INDEPENDENT, PROFESSIONAL INVESTIGATION
- COLLABORATION
- DISCIPLINE
- PROSECUTION
- CIVIL RECOVERY

BRENT COUNCIL – ANTI-FRAUD AND BRIBERY POLICY

	Acknowledge	Prevent	Pursue
Page 115	<p>The council has an established anti-fraud culture, fraud response and is comfortable acknowledging its fraud risks, dealing with fraud and publicising the results. It has invested resource into a corporate fraud team and will continue to commit appropriate resources to tackle fraud.</p> <p>The anti-fraud effort will be supported by members through endorsement of this policy, on-going commitment to appropriate anti-fraud measures and via regular reports on anti-fraud matters to the Audit Committee.</p> <p>The council recognises its responsibility for the proper administration of its finances. This not only includes direct income and expenditure but also monies that we administer on behalf of the government, on behalf of our clients and that for which we are the responsible accountable body. Fraudsters, both inside and outside the organisation, attack all of these sources of income and expenditure and our valuable assets.</p> <p>The council will be vigilant in all of these areas and will apply the principles of prevention, detection, investigation and redress across all its services. The council will not be afraid to tackle difficult or uncomfortable cases and will take a robust line and seek the maximum appropriate sanction in all its areas of operation.</p> <p>The council's fraud threats are many and varied and can be split into two broad headings, internal and external. The internal threats come from staff, contractors and members whilst the external threats come from individuals and organisations who interact with council services.</p>	<p>The council is committed to preventing fraud through sound governance, internal control and robust employee vetting. The responsibility for implementing adequate internal controls rests with management.</p> <p>Managers are expected to consider their fraud risks on a regular basis and adapt the controls systems accordingly. The Audit and Investigation team will provide anti-fraud awareness training and advise on preventative controls during both routine audit work and following investigations where control weaknesses are identified.</p> <p>Managers are expected to implement new controls where weaknesses have been identified. All significant investigations will be reported to the Audit Committee and taken into account when assessing the council's overall governance arrangements.</p>	<p>The Audit and Investigation team is charged with leading the council's fight against fraud.</p> <p>The team works to the Director of Finance and Corporate Services and the Chief Executive and will be free to examine all allegations of theft, fraud, financial misconduct, corruption and other behaviour affecting the finances or integrity of the council or of those funds for which we are responsible.</p> <p>The team will investigate any allegation that may have a direct, or indirect, impact on the finances for which we are responsible. This will include cases where staff may have financial information relating to organisations which are, or have been, funded by the council or with whom the council have a contract.</p>
Our Members	<p>Whilst our members represent a relatively low level of fraud risk, they are fundamental to setting the</p>	<p>Our Members will comply with relevant codes of conduct and any ancillary codes that we</p>	<p>Allegations of fraud and corruption made against our members will be fully investigated in</p>

BRENT COUNCIL – ANTI-FRAUD AND BRIBERY POLICY

Page 11	<p>culture within the organisation. Our Members are expected to act in a manner which sets an example to the community whom they represent and to the staff of the council who implement their policy objectives.</p> <p>Members should be particularly careful when claiming benefits and ensure that all relevant circumstances are properly declared to the DWP, HMRC and the council as appropriate. Members must also be careful to make all appropriate declarations of interest and to follow the rules on gifts and hospitality.</p>	<p>implement, such as the Planning Code of Practice.</p> <p>Members must not place officers under inappropriate pressure to alter properly made decisions other than through the formal process, and should not use their position for the personal benefit of themselves or any other individual in their dealings with the council.</p> <p>We will provide fraud awareness training to our Members and encourage an open and honest dialogue between Members and Officers.</p> <p>We will ensure that the processes that are particularly vulnerable, such as planning, licensing, disposals and tendering are adequately protected through internal control mechanisms and proactive reviews of member interests.</p> <p>Through internal audit, officer reviews and the work of the monitoring officer we will ensure that the fraud risks are considered in all vulnerable areas and appropriate tests are devised to detect fraud.</p>	<p>accordance with the relevant statutory and local provisions. The council will fully assist other law enforcement agencies or statutory bodies with any investigation concerning a member. Allegations about members that are received by the Audit and Investigations Team will be referred immediately to the Monitoring Officer. The Monitoring Officer may utilise the Audit and Investigations Team for the purposes of any investigation. The council will seek the strongest possible penalties against members who are found to have committed fraud against the council.</p>
Our Staff	<p>Our employees, direct, agency or consultants, including teaching and support staff in schools are expected to conduct themselves in ways which are beyond reproach, above suspicion and fully accountable. No financial malpractice will be tolerated and investigations will be pursued, so that the most appropriate sanctions are applied.</p> <p>There is a special responsibility on our Corporate Management Team, Monitoring Officer, Service Heads and Leadership Staff in schools to lead their staff by example. The council expects these individuals to set the standard by their own behaviour. This includes the whole-hearted promotion of Nolan’s principles of public life.</p> <p>It is the responsibility of senior staff to be aware of financial regulations, the code of conduct,</p>	<p>We recognise that our systems are vulnerable from attack from within the organisation. Particularly by those fraudsters who gain inside knowledge of control weaknesses through their official position.</p> <p>Prevention is better than cure and all managers must ensure that as far as possible their systems are adequately protected by sound internal controls. It is the responsibility of all managers to establish and maintain systems of internal control and to ensure that the council’s resources are properly applied and on the activities intended. This includes responsibility for the prevention and detection of fraud, corruption and financial malpractice.</p> <p>We will ensure that an adequate and effective internal audit is undertaken of the council’s</p>	<p>Staff have a duty to assist the council with any matter under investigation. Failure to assist with an investigation may be considered as a breach of trust or failure to comply with financial regulations. This could lead to disciplinary action being taken.</p> <p>We will seek the strongest available sanctions against staff who commit fraud against the council, its clients or the public purse. This will include disciplinary action, prosecution and civil proceedings. Employees found guilty of gross misconduct at disciplinary for offences of fraud, theft, corruption, serious financial malpractice, using their position for personal gain or for the gain of others, will normally be subject to a recommendation of summary dismissal. This applies to employees who improperly benefit from the council as a corporate body and not just those</p>

BRENT COUNCIL – ANTI-FRAUD AND BRIBERY POLICY

<p>disciplinary code, anti-fraud and bribery policy and to be responsible for ensuring conformance to them by the staff for whom they are responsible.</p>	<p>systems and processes.</p> <p>With regard to the vetting of new entrants, references will be taken in all cases and personal testimonials will not be accepted. Where qualifications are required for a particular post, candidates will be required to submit original certificates for checking. If a doubt arises as to the authenticity of a qualification, this will be verified with the examination board / professional body. Where agency staff are being employed in positions where they have access to finance, personal data or other assets, their references will be checked direct with their previous employer. The council will not rely on references supplied by staffing agencies.</p> <p>Internal audit reviews will have regard to the possibility of fraud. Auditors and Investigators will receive reciprocal training to ensure that both have a full understanding of system controls and potential fraud areas. We will undertake a series of proactive anti-fraud audits in high-risk areas with a view to uncovering fraud and misappropriation.</p> <p>All members of staff, the public and councillors are encouraged to contact the Audit and Investigations team with any suspicion of fraud, corruption, financial malpractice or the misuse of official position.</p> <p>In addition the council operates a Whistleblowing Procedure for those employees who wish to utilise the protection offered by the Public Interest Disclosure Act 1998. We will utilise all methods available to detect fraud. This includes data matching, open source research, surveillance and intelligence led investigation.</p>	<p>who steal funds from their own unit. It also applies to employees who defraud or steal from the council's clients. We will also take disciplinary action against staff who commit fraud against other Local Authorities, the Department of Work and Pensions or any other agency administering public funds.</p> <p>At the conclusion of each investigation, the Audit and Investigation team will produce a report. The manager whose responsibility encompasses the area of that investigation will consider the report and take the appropriate action (disciplinary or other). If the Audit and Investigation team is not satisfied that the appropriate action has been undertaken they will refer the matter to the Chief Executive.</p> <p>As with all disciplinary matters, the level of proof required is that of the balance of probability. Disciplinary cases involving allegations of fraud, corruption and financial malpractice will be handled on this basis. The decision to refer the matter on for further action, such as prosecution, will be taken by the Audit and Investigation team in accordance with any sanction policy in force at the time.</p> <p>The Audit and Investigation team will highlight any system weaknesses that are identified as a result of an investigation. These will be addressed through an agreed action plan. The relevant service area manager is responsible for implementing the action plan and the Audit and Investigation team will monitor implementation. Failure to implement adequate system controls following a loss to fraud will be the subject of a report to the relevant Chief Officer and/or Audit Committee.</p> <p>The Audit Committee will receive regular reports</p>
--	---	---

BRENT COUNCIL – ANTI-FRAUD AND BRIBERY POLICY

			<p>from the Audit and Investigation Team regarding system failures, proposals for action and feedback on the implementation of action plans.</p>
<p>Our Partners and Contractors</p>	<p>Those organisations undertaking work on behalf of the council are expected to maintain strong anti-fraud principles and have adequate controls in place to prevent fraud when handling public funds and dealing with customers on behalf of the council. We are happy to work with such organisations and to provide advice on anti-fraud measures. Through contract documentation we will ensure that our partners take the issue of fraud seriously.</p>	<p>We will expect our partners to have adequate controls in place to minimise fraud. We will provide fraud awareness training to our partners as required. We will also provide support and training to our community partners to help them implement proper controls and protect the funds they administer.</p> <p>Our partners will be expected to have adequate recruitment procedures and controls when they are handling finance on behalf of the council. This expectation will be written into all contract terms and agreements.</p> <p>Our partners are expected to have adequate Whistleblowing Procedures and the council's own procedure will be promoted to contractor staff working on behalf of the council.</p> <p>Where our partners are involved with the administration of our finances, or those for which we have responsibility, we will conduct management scrutiny, internal audit reviews and pro-active anti-fraud exercises as we would for our own service areas.</p>	<p>Our partners will provide full access to their financial records, as they relate to our finances, and their staff will be required to assist fully with any investigation. These conditions will be included in any contract terms or agreements.</p> <p>We will seek the strongest available sanctions against contractor / partner staff who commit fraud against the council or who commit fraud against the public purse. We will request that the organisation takes appropriate disciplinary action against the individual and / or we will require that they are removed from the Brent account. The ability to request removal of staff will be written into contract terms.</p> <p>The decision to refer the matter on for further action, such as prosecution, will be taken by the Audit and Investigation team in accordance with any sanction policy in force at the time.</p> <p>System weaknesses identified as a result of fraud investigations will be highlighted by the Audit and Investigation team. The partner organisation will be expected to address these issues. Failure to implement adequate system controls following a loss to fraud will be the subject of a report to the relevant contract / partnership manager.</p> <p>All partners and contractors will be responsible for any losses affecting council funds attributable to their employees. This will be written into contract terms</p>
<p>The Public</p>	<p>Members of the public receive financial assistance and benefits from the council through a variety of sources. These include housing benefit, council tax support, social welfare payments, council housing, temporary accommodation, children's act</p>	<p>We will implement strong systems of verification of all claims for all types of financial assistance and housing. We will utilise all data available to corroborate information given by applicants for the purposes of prevention and detection of fraud.</p>	<p>The Audit and Investigation team are responsible for investigating all allegations of fraud. The team will work with other local authorities and public sector bodies including; the Department of Health, JobCentrePlus and the Pensions Service, the</p>

BRENT COUNCIL – ANTI-FRAUD AND BRIBERY POLICY

<p>payments, direct care payments, renovation and other housing related grants, right to buy discounts, blue badges, business refurbishment schemes and grants, voluntary Sector grants, discounts on council tax and business rates. All of these areas have been the subject of attack by fraudsters. This means less money is available for those in genuine need. Our fraud effort will be balanced against our desire to ensure genuine claimants receive their full entitlement.</p> <p>Housing benefit fraud will remain a significant issue for local government until such time as it is replaced by universal credit. The council acknowledges its duty to protect housing benefit claims from fraud and abuse and will continue to devote resources to this area.</p> <p>Of equal significance for the community in Brent is the impact of housing and tenancy related fraud. The pressure on housing is immense within the borough and each tenancy lost to a false application or a sub-let, means one extra family in bed and breakfast or temporary accommodation.</p> <p>Those who obtain their tenancies through fraudulent applications usually exercise their right to buy the property at a significant discount. This results in the property being lost to the public sector for good.</p> <p>New threats are emerging, particularly in relation to the new council tax support scheme, replacing council tax benefit from April 2013, council tax discounts such as single person and student and business rate discounts. We will apply the same principles in dealing with fraud in all of areas of expenditure that directly support the community.</p>	<p>We will also monitor and review grants and assistance given to external organisations to ensure applications are genuine.</p> <p>All our staff involved in assessing applications will be given on-going fraud awareness training.</p> <p>We will utilise formal referral procedures for all assessment staff and encourage early referral of suspected cases.</p> <p>We will participate in national and local initiatives, including data-matching and work with all government agencies and law enforcement bodies to detect and prevent fraud and other crimes affecting the well-being of our community.</p> <p>We will analyse fraud trends in order to identify high risk areas and undertake pro-active anti-fraud drives based on that analysis.</p> <p>We encourage the public to make use of our free fraud hotline 0800 937 777 to report any suspected fraud or to report fraud through our web site at www.brent.gov.uk. We will evaluate all referrals received from members of the public and commence investigation into all appropriate cases.</p>	<p>Police, Her Majesty's Revenue and Customs, Immigration Service, the National Crime Agency for the purposes of preventing, detecting and investigating crime.</p> <p>Where appropriate, we will participate in data matching exercises and will share information using legislation or legal gateways available to us and our partners.</p> <p>The council will make full use of its statutory powers, including the power to enter business premises and obtain information regarding benefit claimants and the power to seek information from financial institutions and utility companies in respect of benefit claims.</p> <p>We intend to apply a sanction in all appropriate cases of fraud and attempted fraud. This will range from official warnings to prosecution. In all cases we will seek recovery of any fraudulently obtained amounts and will utilise all means available to us to recover these amounts. This will include administrative penalties, freezing or restraint orders, compensation orders, confiscation orders, civil litigation and general debt recovery.</p> <p>We will use the council's own legal team and the Crown Prosecution Service to bring offenders to justice. Prosecution will not be limited to housing benefit fraud but will also include false homeless applications, fraudulent grant applications and any instance where the council has been deceived into providing financial assistance.</p> <p>As a deterrent, we will also publicise all our successful sanctions in the local press and / or national press and media.</p>
---	---	--

BRENT COUNCIL – ANTI-FRAUD AND BRIBERY POLICY

Part 3 - SANCTION POLICY

Policy Statement

The council will use the full range of sanctions available to it, including criminal prosecution, civil recovery, internal discipline and referral to professional bodies in order to deter fraud, bribery and associated offences.

We will utilise our own legal service to conduct prosecutions, where appropriate and also the Crown Prosecution Service.

We will refer matters to other law enforcement agencies or regulators where appropriate and support those agencies in bringing proceedings.

Introduction

Part one of the council's fraud and bribery policy sets out our aims and objectives with regard to tackling fraud and associated offences. It states that we will seek the strongest possible sanction against any individual or organisation that defraud, or seek to defraud the Authority. The use of sanctions will be governed by this sanction policy and the principles of the policy shall apply equally to any fraud against the Authority or against funds for which the Authority has responsibility.

The objectives of this policy are:

1. To ensure that the council applies a full range of sanctions in a just and consistent manner.
2. To ensure that sanctions are applied in an effective and cost efficient manner.
3. To ensure that the sanction decision making process is stringent, robust and transparent.

This policy is designed to provide a framework within which to ensure the most appropriate resolution to a case is reached. The sanction decision will have regard at all times to the council's anti-fraud policy objectives, the individual circumstances of each person concerned and the overall impact of the punishment to both the individual and the community.

A range of sanctions is available to the council. These include disciplinary action, civil proceedings, criminal proceedings and administrative penalties. In appropriate cases we will take more than one form of action. For example, where staff have defrauded the council we may take disciplinary, prosecution and civil recovery action.

One sanction available to the council is criminal prosecution. We recognise that this is a serious step to take and the decision to refer cases for prosecution will not be taken lightly.

BRENT COUNCIL – ANTI-FRAUD AND BRIBERY POLICY

The ultimate decision on prosecution will be taken by the prosecuting body. In some cases this will be the council through the Director of Legal and Procurement, in others the Crown Prosecution Service.

Other than where the Crown Prosecution Service is the most appropriate prosecuting authority, we will utilise the council's Legal Service to undertake criminal prosecution. In these cases the decision to refer cases for prosecution to legal services will be taken by the Head of Audit and Investigations or his representative.

In appropriate cases, we will use the Crown Prosecution Service, this will usually be for cases involving joint investigations involving welfare benefits.

Alternatively, we may refer cases to the police for investigation who may then refer matters to the Crown Prosecution Service or other prosecutor.

When considering a case for prosecution it is generally accepted that there are two "tests" to be applied – the evidential test and the public interest test. These are currently set out in the [Code for Crown Prosecutors 2013](#). The Evidential Stage test must be considered prior to the Public Interest Stage.

Evidential Stage Test

Prosecutors must be satisfied that there is sufficient evidence to provide a realistic prospect of conviction against each suspect on each charge. They must consider what the defence case may be, and how it is likely to affect the prospects of conviction. A case which does not pass the evidential stage must not proceed, no matter how serious or sensitive it may be. The evidence must be acquired in a form which can be used by the court and be admissible and there must be enough evidence to form a realistic prospect of conviction.

In order to ensure that a "realistic prospect of conviction" exists officers of the Audit & Investigations team and prosecutors will at all times ensure that investigations are conducted in accordance with all relevant legislation and Codes of Practice with regard to evidence gathering, interviewing and rules of disclosure.

The evidence gathered will be examined in the first instance by the investigator and their manager. When both are satisfied that sufficient evidence exists to successfully prosecute and that the Public Interest Stage is also satisfied the case file will be passed on to either the council's legal team or the Crown Prosecution Service. All prosecutors will then apply their own inspection of the evidence to ensure that both tests are met.

Public interest test

A prosecution will usually take place unless the prosecutor is sure that there are public interest factors tending against prosecution which outweigh those tending in favour, or unless the prosecutor is satisfied that the public interest may be properly served, in the first instance, by offering the offender the opportunity to have the matter dealt with by an out-of-court disposal. The more serious the offence or the offender's record of criminal behaviour, the more likely it is that a prosecution will be required in the public interest.

Aggravating and mitigating factors will be taken into consideration when deciding on the appropriate sanction as set out in the code for crown prosecutors.

BRENT COUNCIL – ANTI-FRAUD AND BRIBERY POLICY

Members / Staff / Teachers / School Support Staff

In all cases of fraud, theft, financial misconduct, serious and intentional breach of financial regulations and corruption committed by employees of the council or its maintained schools we will seek disciplinary action. The normal recommendation for staff would be gross misconduct. This will include cases of fraud against the council, other council's and other public sector bodies.

Where a financial loss has been identified we will always seek to recover this loss either through the civil or criminal process. In addition, where staff are members of professional bodies or are subject to national codes of conduct such as teaching and social services staff, we will refer cases to the relevant professional body.

Where appropriate under this policy we will refer cases to the relevant prosecuting authority for criminal prosecution.

Welfare Benefit Fraud

This includes any local or national benefit administered on behalf of the council or central government, for example, housing benefit, council tax support, social fund and any national benefits which the council is empowered to investigate, such as job seekers allowance, income support and employment support allowance.

Civil Penalty. A fixed penalty, currently £50, may be given if an overpayment of benefit has occurred due to incorrect information being given and reasonable steps have not been taken to correct it. Such penalties are reserved for lower level overpayments and cannot be used when other sanctions are applied.

Administrative Penalty. - In accordance with the Social Security Fraud Act 1997, an Administrative Penalty (Admin Pen) is a financial penalty offered to an offender in return for not being prosecuted through the criminal courts.

In all cases of fraud we will seek to recover the overpaid benefit.

In all cases considered for sanction, it is essential that each case is subject to scrutiny on the basis of its own particular details. The circumstances of each individual case will ultimately determine the eventual sanction route. We will consider any previous benefit prosecutions, cautions or administrative penalties from; either this Authority, other Local Authorities or the Department of Work and Pensions, the Police or other enforcement agencies.

Housing Fraud

In all cases of fraudulent housing or homeless applications, where a tenancy has been obtained, the council will seek repossession of the property and recovery of any financial losses. The council's view is that one property lost to fraud is one less property available to use for genuine applicants.

Fraud and illegal subletting committed by housing and homeless applicants will be considered for criminal prosecution.

The factors that will affect our decision to prosecute will be based on the evidential and the public interest test.

BRENT COUNCIL – ANTI-FRAUD AND BRIBERY POLICY

Where council properties have been sublet or are abandoned the council will always seek repossession of the property and recovery of any financial losses.

Other Fraud

Direct Care Payments, Grants, Reliefs and exemptions council tax or non-domestic rates and other applications for financial assistance and other benefits awarded such as Blue Badges.

In cases where the council suffers a financial loss, we will always seek recovery. Where an organisation is involved in the fraud, the council will also make referrals to the relevant governing body, i.e. Charities Commission, Registrar of Companies.

The council will also consider criminal prosecution. The factors that will affect our decision to prosecute will be based on the evidential and the public interest test. This will include cases of attempted fraud i.e. applications for renovation grants where the financial estimates are deliberately misstated; false applications for direct care payments.

Proceeds of Crime

The council will use the Proceeds of Crime Act 2002 and the Criminal Justice Act 1988 to obtain Confiscation Orders to include Compensation Orders as well as recovery of the full benefit figure where possible. The council may use its own accredited Financial Investigators or those attached to other law enforcement agencies in order to conduct investigation, obtain orders and present evidence.

BRENT COUNCIL – ANTI-FRAUD AND BRIBERY POLICY

Part 4 - Bribery Policy

Policy Statement

Bribery is a criminal offence. The council, its schools and all those employed by us will not, pay bribes or offer improper inducements to anyone for any purpose, nor do we or will we, accept bribes or improper inducements.

To use a third party as a conduit to channel bribes to others is a criminal offence. We do not, and will not, engage indirectly in or otherwise encourage bribery.

The council is committed to the prevention, deterrence and detection of bribery. We have zero tolerance towards bribery. Anti-bribery compliance will underpin all relevant processes, services and operations.

Introduction

Bribery is the offering, promising or giving of a financial or other advantages designed to induce an individual to take an improper decision or action. These inducements can take many forms including cash, holidays, event tickets, meals. Decisions could relate to recruitment, the award of contracts, planning consents and other awards.

This policy provides a coherent and consistent framework to enable employees to understand and implement arrangements enabling compliance. In conjunction with related policies and key documents it will also enable employees to identify and effectively report a potential breach.

This policy applies to all of the organisation's activities, its personnel, including all levels and grades, those permanently employed, temporary staff, agency staff, contractors, non-executives, agents, Members (including independent members), volunteers and consultants.

For partners, joint ventures and suppliers, we will seek to promote the adoption of policies consistent with the principles set out in this policy.

Commitment to Anti-Bribery

All personnel, including those permanently employed, temporary, agency staff and contractors will:

- Act honestly and with integrity at all times and will act to safeguard the council's resources for which they are responsible
- Comply with the spirit, as well as the letter, of the laws and regulations of all jurisdictions in which the organisation operates, in respect of the lawful and responsible conduct of activities
- If an employee suspects that bribery has occurred or is being offered, they must report their suspicions to the Head of Audit and Investigations or their representative

BRENT COUNCIL – ANTI-FRAUD AND BRIBERY POLICY

It is unlawful for employees to:

- Give, promise or offer an inducement to a public official, agent or representative to "facilitate" or expedite a routine procedure
- Accept an inducement from a third party that you know or suspect is offered with or provided the expectation that it will obtain a business advantage for them
- Employees found to have breached these expectations will be subject to disciplinary action

The council will:

- Set out a clear anti-bribery policy and keep it up to date
- Maintain adequate and proportionate procedures to prevent bribery
- Undertake anti-bribery risk assessments
- Make all employees aware of their responsibilities to adhere strictly to this policy at all times
- Maintain appropriate gifts and hospitality procedures
- Encourage employees to report any suspicions of bribery
- Investigate instances of alleged bribery and assist the police and other authorities in their investigations
- Take a robust line against individuals found to have breached this policy or to have committed or facilitated bribery

The offences under the Bribery Act 2010

Bribery can be committed by staff within Local Authorities and/or schools by two main offence categories:-

- i) Bribing another person
- ii) Being bribed

A local authority as a commercial organisation and deemed corporate body can commit an offence of failing to prevent bribery [Section 7]. It is a defence if the local authority has in place adequate procedures designed to prevent persons associated with it from undertaking such conduct.

The act also introduces an offence of bribing a foreign official.

In order to prosecute offences of Bribery, consent is required from either the Director of Public Prosecutions, Director of Serious Fraud Office or Director of Revenue & Customs Prosecutions. All such cases will therefore be referred to one of the above 3 prosecuting authorities, to be determined on a case by case basis.

Individuals found guilty of an offence may be imprisoned for a maximum term of ten years and face an unlimited fine.

BRENT COUNCIL – ANTI-FRAUD AND BRIBERY POLICY

PART 5 – Contact Details

Fraud Hotline:

Tel: 0800 937 7777 EMAIL: investigations@brent.gov.uk

Head of Audit and Investigations: Simon Lane

Tel: 020 8937 1260 EMAIL: simon.lane@brent.gov.uk

Internal Fraud/Schools/Voluntary Sector/Direct Payments/Grants

Richard Wildey, Dave Verma Tel: 020 8937 1262/3

EMAIL: richard.wildey@brent.gov.uk, dave.verma@brent.gov.uk

Housing Tenancy Fraud: Richard Wildey

Tel: 020 8937 1262 EMAIL: richard.wildey@brent.gov.uk


Housing Benefit Fraud: Saiqa Butt

Tel: 020 8937 1266 EMAIL: saiqa.butt@brent.gov.uk

Internal Audit: Aina Uduehi

Tel: 020 8937 1495 EMAIL: aina.uduehi@brent.gov.uk

Page 22

	Audit Committee 20 March 2013 Report from the Director of Finance and Corporate Services
For Information * delete as necessary	Wards Affected: ALL
Draft Internal Audit Plan for 2013/14	

1. Summary

- 1.1. This report sets out the Draft Internal Audit Plan (the Plan) for 2013/14 and the basis on which the plan has been formulated.

2. Recommendations

- 2.1. The Audit Committee note the approach taken to formulate the draft plan for the 2013/14 financial year and the content of the draft plan. This is in line with the Committee's role, as defined in the Constitution: *To consider the strategic and annual audit plans, and consider the level of assurance these can give over the Council's corporate governance and risk management arrangements.*
- 2.2. The Audit Committee approve the commencement of work against the Annual Internal Audit Plan for the 2013/14 financial year, from 1 April 2012 with the final plan to be approved at the next scheduled meeting.

3. Detail

- 3.1. All Local Authorities are required to make proper provision for Internal Audit in line with the 1972 Local Government Act and the Accounts and Audit Regulations 2003 (as amended). The Public Sector Internal Audit Standard (which replace the CIPFA Code of Practice on Internal Audit in Local Government from April 2013) requires "chief audit executive to establish risk based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals".
- 3.2. The final audit plan will be presented for approval at the next scheduled meeting of the Audit Committee.

- 3.3. The Internal Audit Service is delivered through a partnership between the Council's in-house Audit & Investigations Team ('the in-house team') and Deloitte & Touche Public Sector Internal Audit Limited ('Deloitte'). The contract with Deloitte through the Croydon Framework has been extended for a further two years effective from 1st April 2013. The total plan days for 2013/14 are 1,200 days of which 905 are allocated to Deloitte and 295 to the in-house team.
- 3.4. The report sets out the following:
- How the total plan days has been determined;
 - The proposed breakdown of individual audits split across departments;;
 - The link between the audit plan and the Council's Risk Management Framework
- 3.5. All areas of the Council's operations are potentially subject to internal audit coverage. However, given resource constraints, not all areas can be audited on an annual basis. This means that the selection of audit areas is thus determined on the basis of risk.
- 3.6. The Public Sector Internal Audit Standard requires the risk based plan to take into account the requirement of an annual internal audit opinion and the assurance framework and requires the plan to indicate the link to the organisational objectives and priorities.
- 3.7. 'Risk' is broadly defined as being something which threatens the achievement of an objective. When considering risks in relation to the achievement of objectives across the Council, it is therefore important to recognise that the range of potential risks is significant and diverse. Risks don't relate solely to financial systems, and hence the work of Internal Audit is not focused solely on these areas.
- 3.8. In recent years, the Plan has been formulated on the basis of the following:
- Internal Audit's own knowledge and understanding of key risk areas across the organisation. This is informed through general understanding of the concept of risk; knowledge of the Council's operations, as built up over many years; and awareness and experience of risks being faced within other Local Authorities, as well as across the wider public sector;
 - Internal Audit's own knowledge and understanding of key developments taking place across the Council, and hence emerging risk areas; and
 - Discussions with Directors and Assistant Directors across the Council, so as to clarify and add to the above.
- 3.9. The transfer of responsibility for risk management to the Audit & Investigations Unit has gone some way in the development of a more integrated risk management framework thus enabling there to be a clearer link between internal audit activity and the Council's key strategic and operational risks. The development of a corporate and departmental risk registers over the last 12

months will continue to assist in the development of internal audit plans.

- 3.10. In order to help ensure that all key risk areas are identified, including new and emerging risks, as in the previous financial year, the audit team is in the process of updating the Audit Needs Analysis (ANA) for 2013/14 . This will be included in the final version of then plan once all meetings with DMT's have occurred. As before the ANA will be focused around the following set of internal and external risk factors:

Internal:

- Achievement of Objectives;
- Compliance with Legislation;
- Income/Expenditure;
- Changes to the Organisation; and
- Key Organisational Projects.

External:

- Economic;
- Regulatory; and
- Fraud Risk.

- 3.11. For the 2013/14 financial year, the Internal Audit Team will be attending DMT meetings between now and the end of the current financial year to seek further input from Directors and Assistant Directors.

- 3.12. Internal Audit will liaise with the Council's external auditors (KPMG) has regarding the content of the Plan. This allows for a further input of knowledge with regards to key risk areas, as well as helping to ensure that the work of each is co-ordinated, thereby helping to avoid both gaps and duplication in coverage; and

4. Financial Implications

- 4.1. None

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

Mick Bowden
Deputy Director of Finance and Corporate Services



Internal Audit
2013/14 Final Internal Audit Plan
London Borough of Brent
March 2013

Contents

Page No

Executive Summary	1
Appendix A – Detailed Plan	6
Appendix B – Audit Team and Contact Details	20

Executive Summary

Introduction	This report sets out the draft Internal Audit Plan for the 2013/14 financial year.								
Total Plan Days	The Plan is based on a total of 1,200 days split between Deloitte and the in house team as shown below.								
	<table border="1"> <thead> <tr> <th data-bbox="741 373 1491 456">Source</th> <th data-bbox="1491 373 1771 456">2013/14 Number of Days</th> </tr> </thead> <tbody> <tr> <td data-bbox="741 456 1491 504">In-House Team</td> <td data-bbox="1491 456 1771 504">295</td> </tr> <tr> <td data-bbox="741 504 1491 552">Deloitte</td> <td data-bbox="1491 504 1771 552">905</td> </tr> <tr> <td data-bbox="741 552 1491 596">Total</td> <td data-bbox="1491 552 1771 596">1,200</td> </tr> </tbody> </table>	Source	2013/14 Number of Days	In-House Team	295	Deloitte	905	Total	1,200
Source	2013/14 Number of Days								
In-House Team	295								
Deloitte	905								
Total	1,200								
Formulating the Plan	<p>The work to be undertaken is determined on an annual basis through the formulation and agreement of the Plan. This sets out the total number of days of internal audit work to be delivered during the year and the breakdown of these to individual audits across the Council.</p> <p>All areas of the Council's operations are potentially subject to internal audit coverage. However, given resource constraints, not all areas can be audited on an annual basis, and this would not be expected in any organisation. The selection of audit areas is therefore determined on the basis of risk.</p> <p>Risk is the key driver of all internal audit work, not simply in determining which areas to include in the Plan, but also then the specific elements to be covered within each individual audit. This aligns with Internal Audit's core role of providing an independent and objective assurance opinion on the adequacy and effectiveness of the systems of control operated by management in order to manage risk to the organisation.</p> <p>'Risk' is broadly defined as being something which threatens the achievement of an objective. When considering risks in relation to the achievement of objectives across the Council, it is therefore important to recognise that the range of potential risks is significant and diverse. Risks don't relate solely to financial systems, and hence the work of Internal Audit isn't focused solely on these areas.</p> <p>In recent years, the Plan has been formulated on the basis of the following:</p> <ul style="list-style-type: none"> Internal Audit's own knowledge and understanding of key risk areas across the organisation. This is informed through our general understanding of the concept of risk; our knowledge of the Council's 								

operations, as built up over many years; and their awareness and experience of risks being faced within other Local Authorities, as well as across the wider public sector;

- Internal Audit's own knowledge and understanding of key developments taking place across the Council, and hence emerging risk areas; and
- Discussions with Directors and Assistant Directors across the Council, so as to clarify and add to the above.

The Public Sector Internal Audit Standard (which replaces the CIPFA Code of Practice on Internal Audit in Local Government from April 2013) requires "chief audit executive to establish risk based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals".

The transfer of responsibility for risk management to the Audit & Investigations Unit has gone some way in the development of a more integrated risk management framework thus enabling there to be a clearer link between internal audit activity and the Council's key strategic and operational risks. The development of a corporate and departmental risk registers over the last 12 months will it is hoped continue to assist in the development of our internal audit plans.

The Committee should therefore take confidence in the work of Internal Audit already being clearly focused on key risk areas, be these in relation to established systems and areas of operation, or connected to new areas of development and transformation. This second aspect is significant. The concept and delivery of change can be a key driver of risk, and this has been of growing significance with changes in the external environment prompting the need for increased change internally.

In the two previous year (2011/12 and 2012/13), whilst the above steps had been followed, given the increased levels of changes taking place nationally and across the Council, the approach to formulating the Plan was further strengthened through a formal Audit Needs Assessment (ANA). In order to help ensure that all key risk areas are identified, including new and emerging risks, the ANA has been focused around the following set of internal and external risk factors:

Internal

- Achievement of Objectives;
- Compliance with Legislation;
- Income/Expenditure;
- Changes to the Organisation; and

- Key Organisational Projects.

External

- Economic;
- Regulatory; and
- Fraud Risk.

For 2013/14, the Internal Audit Team is due to attend DMT meetings between now and the start of the year and in the meantime the ANA is in the process of being revised to take account of changes which have taken place during 2012/13 and also any changes which are expected to occur in the near future. The revised ANA will be included in the final audit plan once it has been updated.

The breakdown of the total days across the Departments is shown in the table below. The proposed draft plan is attached at Appendix A.

Department	2012/13 (Days)	2013/14 (Days)
Cross Council / Corporate Audits	25	60
Finance & Corporate Services	212	165
Information Technology	132	132
Children & Families	35	90
School Audits	228	150
Environment & Neighbourhood	45	70
Customer & Community Engagement	20	33
Adult Social Services	65	80
Legal & Procurement	35	35
Regeneration & Major Projects	70	75
Strategy, Partnership & Improvement	25	30
Brent Housing Partnership	154	150

	Risk Management	10	15
	Governance & Audit Planning	-	10
	Follow-Up	55	40
	Consultation, Communication and Reporting	55	55
	Contingency	20	0
	Office Move	14	10
	Total	1200	1200

Types of Work

Internal Audit comprises a range of specialist skills, the three key areas of coverage being the following:

- General risk based systems audit / compliance based audit;
- IT audit; and
- Contract audit.

A significant proportion of the Plan is allocated to risk based systems audits and to compliance based audits in the form of school audits. Days are also allocated to IT audits and a number of contract audits have been included.

IT audit work can take a variety of forms, although key areas include audits of specific IT applications; audits of key elements of the IT infrastructure; and audits relating to the implementation of new applications, either at the pre or post implementation stages.

Contract audit work also varies in form, although generally focuses either on the controls in place around the management and administration of construction based projects; the tendering of projects / contracts; or on the controls in place around the management of a contractual relationship.

There is also a key role for Internal Audit in assisting management to assess the risks involved in new developments / new projects / new ways of working, helping management to determine an adequate system of controls at the design and implementation stage, as opposed to highlighting deficiencies at a later stage when it may be more difficult / costly to address weaknesses. Similarly, it may be appropriate for Internal Audit to provide assurances on the adequacy and effectiveness of controls in place around the management of a specific project, thereby assisting management to deliver these on time and to budget, as well as to achieve the desired outcome.

Ensuring the ongoing relevance of the Plan

The Plan continues to takes account of on-going changes in the nature and structure of the organisation. Given the scale and nature of the changes taking place, it is crucial that the Plan is reviewed on a regular basis during the course of the year, in order to ensure that it remains relevant in terms of the key risk areas and all aspects of the various transformation programmes.

We will continue to liaise with Directors, Assistant Directors, and External Audit during the course of the year to determine whether any amendments are required, and will update Members at scheduled Committee meetings where any significant revisions occur.

Appendix A – Detailed Plan

The Draft Internal Audit Plan for 2013/14 is set out below in Table 1 and the IT Plan in Table 2. Where possible, we have included the proposed number of days against each audit, together with a high level indication of the proposed coverage, the initial key contact, and an indication of the proposed timing where this is known at this stage.

The BHP Plan is being presented separately to their Audit & Finance Sub-Committee for approval. The approved Plan will be presented to the Committee for information purposes at the next scheduled meeting.

Table 1 – Overall Plan

Audit	Link to the ANA & Risk Register / Basis for Inclusion	Days	Proposed Coverage	Initial Key Contact	Proposed Timing
CROSS COUNCIL / CORPORATE AUDIT (60 Days)					
Disclosure & Barring (formerly CRB checks)	Corporate Operational Risk Register Safeguarding of Adults and Children as identified in the ASS and C & F Risk Registers.	20	Review compliance with statutory requirements and Council policy and the process for safeguarding personal information received across all departments	Cara Davani – Interim AD – People & Development	Q1
Sickness & Absence Management	Corporate Strategic Risk Register Service delivery impact and stress resulting from significant reduction in work force.	15	Review of the arrangements in place for the Management of long term sickness and the extent of compliance across departments with Council policy and review and monitoring arrangements in department.	Cara Davani – Interim AD – People & Development	Q2
Business Continuity Planning & Emergency Planning	Corporate Operational Risk Register Following move to Civic Centre – risk of a major or large scale incident affecting the Council’s ability to deliver critical services.	10	Review of the Council’s arrangements to ensure that they are effective and that the Council can respond effectively following the move to the new Civic Centre.	To be confirmed	Q2

Audit	Link to the ANA & Risk Register / Basis for Inclusion	Days	Proposed Coverage	Initial Key Contact	Proposed Timing
Procurement (GPC Cards)	Requested by Management	15	Review of controls over the use of procurement cards including payment and authorisation procedures.	To be confirmed	Q1
FINANCE & CORPORATE SERVICES (165 days)					
Council Tax	Key Financial Audit – annual coverage.	15	Annual systems audit focussing on key controls and any systems changes.	Richard Vallis – Revenues Client Manager	Q3/4
Local Council Support Scheme (formerly Council Tax Benefit)	Key Financial System and New System Localised Council Tax -	10	Review of the Council's arrangements for administration of the new scheme local scheme for Council Tax	David Oates – Benefits Manager	Q3
National Non Domestic Rates (NNDR)	Key Financial Audit – annual coverage.	15	Annual systems audit focussing on key controls and any systems changes.	Richard Vallis – Revenues Client Manager	Q3/4
Use of NNDR Funds	With the new legislation around the use of NNDR income, we need to ensure that the Authority is prepared to operate within the new funding arrangements, including the top up and tariff scheme. Given the fact that authorities would stand to benefit from growth in their business rates, while those whose rates declined or grew at a lower rate would experience lower or negative growth, we should be aware of the strategy for improving the collection rates. There is also an increased incentive for the Authority to seek to prevent, deter and detect fraud in relation to exemptions and discounts. In addition, the incentive to	5	To be determined in discussion with management.	To be determined	Q3

Audit	Link to the ANA & Risk Register / Basis for Inclusion	Days	Proposed Coverage	Initial Key Contact	Proposed Timing
	<p>grow business rates could indirectly increase the risk of bribes being sought and accepted by those responsible for approving commercial planning applications and applications for licenses where relevant.</p>				
<p>Housing Benefits / Discretionary Payments</p>	<p>Key Financial Audit – annual coverage.</p> <p>With the introduction of the Caps, there will be a significant impact on Councils, depending whether they are in an affluent area or not. As private property rent prices are likely to significantly exceed the benefit allowance, council residents will be forced to move to areas where rents are more in line with the capped figures. This will have an impact on both extremes in terms of demand on other services within the Council.</p> <p>With the inevitable increase in people not being able to pay their rent, due to insufficient Benefits, it is likely that there will be a flood of applications for Discretionary payments. We need to consider the controls around the decision making process as well as the payment arrangements. The risk of fraudulent applications is also relevant here.</p>	20	<p>Annual systems audit focussing on key controls and any systems changes.</p>	<p>David Oates – Head of Benefits</p>	<p>Q3</p>

Audit	Link to the ANA & Risk Register / Basis for Inclusion	Days	Proposed Coverage	Initial Key Contact	Proposed Timing
Payroll	Key Financial System – annual coverage. Migration of Payroll to Oracle	20	Annual systems audit focussing on key controls and any systems changes. Review of migration arrangements	John Lee – Operations Manager	Q3/4
Accounts Payable	Key Financial System – annual coverage.	15	Annual systems audit focussing on key controls and any systems changes.	Petrina Peters – FSC Payments Team Leader	Q3/4
Accounts Receivable	Key Financial System – annual coverage.	15	Annual systems audit focussing on key controls and any systems changes.	Sade Adedoyin – FSC Income Control, Invoices and Cash Team Leader	Q3/4
General Ledger	Key Financial System – annual coverage.	15	Annual systems audit focussing on key controls and any systems changes.	Sonal Thakker Celia Henry – FSC Accounting to Reporting Team Leader	Q3/4
Pension Fund Investments	Key Financial System Key Financial Audit – cyclical coverage. With the economic downturn, the risks surrounding investments will increase	10	Review of controls in respect of the administration of pension Fund Investments including the monitoring of performance of fund managers.	Anthony Dodridge - Head of Exchequer & Investment	Qtr1
Governance Risk & Compliance	Controls & Approvals One Oracle Project	10	Review Approvals and Authorisation arrangements with regards to Project Oracle (previously Project Athena)	Mark Peart – Head of Financial Management	To be confirmed
One Oracle Project	One Oracle Project comprises migration of financial, HR, and payroll systems and it is one of the key	5	Internal Audit Liaison with Finance Implementation Team (FIT)	Mark Peart – Head of Financial Management	Q1/2

Audit	Link to the ANA & Risk Register / Basis for Inclusion	Days	Proposed Coverage	Initial Key Contact	Proposed Timing
	projects taking place in 2013/14.				
Insurance	Key System which has not been subject to review for a number of years.	10	To focus on the controls in place around the Council's insurance function. Specific areas of focus are likely to include identification of required insurance coverage; raising of claims; monitoring progress and receipt of claims; processing of claims made against the Council; monitoring of claims received against the Council; and action taken to minimise the receipt of claims. Exact scope will be determined through discussion with management.	Anthony Dodridge - Head of Exchequer & Investment	Q1
IT Audits (132 Days)					
Information Technology	See separate IT Plan at Table 2	132	Separate IT Plan currently under discussion		
CHILDREN & FAMILIES (240 Days)					
School Audits – Primary/Junior Schools/Nurseries & Special	Schools are audited on a cyclical basis (every three years).	150	Completion of audits for 15 schools. Review of internal controls.	Mustafa Salih – Assistant Director, Finance & Performance	Across the year
Follow up work for the schools with Limited Assurance	As requested by the Assistance Director Strategic Finance, we will follow up the implementation of the recommendations arising from the audit work undertaken in the previous year where the assurance rating was Limited.	20	Self-Assessment and visits	Mustafa Salih – Assistant Director, Strategic Finance CF	Across the year
Foster Care/ Adoption Payments or system / Looked	One of the key service objectives is to provide a stable, consistent, and caring environment to children. Whilst	15	Exact scope will be determined through discussion with management.	To be Confirmed	Q1

Audit	Link to the ANA & Risk Register / Basis for Inclusion	Days	Proposed Coverage	Initial Key Contact	Proposed Timing
After Children	ensuring that the children's needs are fulfilled through fostering and adoption where required, it will also be key that robust controls are in place to manage the foster care and adoption payments so to ensure that the financial resources are spent efficiently and effectively for the intended purposes.				
Assessment of Troubled Families (Working with Troubled Families Project)	New responsibilities and Funding and potential impact of welfare reforms. Corporate Risk Register	15	Exact scope will be determined through discussion with management	To be Confirmed	Q1
DCLG Troubled Families Grant Audit	DCLG requirement / Regulatory	10	Audit will be undertaken in accordance with the grant certification requirements.	To be Confirmed	Q1
External Provider Contracts / Commissioning of Services for Children	To focus on the controls in place around the operations of the Joint Commissioning Team. Specific areas of focus are likely to include the achievement of value for money; compliance with the Council's Financial Regulations; management of partnership risk; and contract management.	20	Review of process of procurements procedures and monitoring of contracts Commissioning is a key area of spend and one which will carry a number of considerations for the safeguarding of children. Review of commissioning process, to ensure that it is transparent, robust, and rigorously followed. This will include an assessment of how the service ensures that value for money is obtained. Monitoring of performance and controls to over risk of change of ownership or bankruptcy of private or third sector providers and subsequent risk to service users.	To be Confirmed	Q2

Audit	Link to the ANA & Risk Register / Basis for Inclusion	Days	Proposed Coverage	Initial Key Contact	Proposed Timing
Gordon Brown Education Centre	No audit visit for a significant period.	10	Review of Internal Controls	Mustafa Salih – AD Finance	Q1/2
ENVIRONMENT & NEIGHBOURHOOD (70 Days)					
Parking	Corporate Operational Risk Register. New Contract	20	Exact scope will be determined through discussion with management.	Michael Read – Assistant Director of Environment and Neighbourhood David Thrale – Head of Safer Street	Q2
Highways Maintenance	Department Operational Risk Register	15	Exact scope will be determined through discussion with management	Sue Harper Director of ENS	Q1
Recycling & Waste Management	Corporate Operational Risk Register The cost of the waste management contract is significant and failure to deliver an efficient and effective waste service will have adverse financial and reputational impacts for the Council. In addition, meeting the recycling target is one of the key priorities in the Borough Plan.	15	Exact scope will be determined through discussion with management	Sue Harper – Director of Environment & Neighbourhoods	Q2
PFI - Street Lighting & Willesden Sports Centre	Department Operational Risk Register The risk of contractual issues or service delivery issues resulting in the termination of PFI contracts.	10	Review of Contract Management arrangements	To be determined	Q1

Audit	Link to the ANA & Risk Register / Basis for Inclusion	Days	Proposed Coverage	Initial Key Contact	Proposed Timing
Others	To be discussed with DMT	10		N/A	N/A
CUSTOMER AND COMMUNITY ENGAGEMENT(33 Days)					
Ward Working	Mismanagement of ward working grants may have an adverse financial impact, but primarily poses a risk to the Councils reputation. Significant increase in budget since the last review and concerns raised by some members regarding the use of grants	15	This work will focus on the controls in place around the management and administration of ward working grants, including the assessment and approval of applications.	Christine Collins – Neighbourhood Working Manager	
Members expenses and allowances	Mismanagement of expenses and allowances may have an adverse financial impact, but primarily poses a risk to the Council's reputation.	8	This work will focus on the controls in place around the management and administration of Members' expenses and allowances.	To be determined	Q1
Others	To be discussed with DMT	10		N/A	N/A
ADULT SOCIAL SERVICES (80 Days)					
Public Health Contracts (Transfer of responsibilities from PCT to Council)	Corporate Strategic Risk Register Under a national programme certain public health responsibilities transfer from the NHS to Councils from 1st April 2013. It is vital that arrangements for governance and accountability are sufficiently robust. Some of these responsibilities will directly impact ASS.	20	Focus will mainly be on payments made to pharmacies and GP surgeries	Liz Jones – AD Finance	Q1
Pre & Post Migration of Data on Abacus to Frameworki	Risk of Loss of Data Request from ASS management	10	To review pre & post migration arrangements. Scope to be discussed with management.	Liz Jones – AD Finance	Q2

Audit	Link to the ANA & Risk Register / Basis for Inclusion	Days	Proposed Coverage	Initial Key Contact	Proposed Timing
	ASS to decommission Abacus system used for management of client finances and migrate all information onto Frameworki				
Safeguarding	Corporate Operational Risk Register Redesign of Processes and procedures. Restructure of Team and appointment of new staff to take place in April.	15	Specific scope and approach still to be discussed with management.	Phil Porter – Head of Reablement & Safeguarding	Q3
Transitions Team (14-25 year old)	Management Request 2 years since transfer of responsibilities from C & F to ASS. Audit would still require involvement of C & F	15	Exact scope to be determined through discussion with management	Senel Arkut – Head of Support Planning & Review	Q4
Sexual Health Contracts	Corporate Operational Risk Register Service currently delivered through a WLA contract. To consider whether to continue with collaborative purchasing	10	Exact scope to be determined through discussion with management	Steven Forbes – Head of Integrated Commissioning	Q3
Carers Audit	Requested by ASS management.	10	Exact scope to be determined through discussion with management	Steven Forbes – Head of Integrated Commissioning	Q3
LEGAL & PROCUREMENT (35 DAYS)					
Procurement	One Council Gold Project. A significant saving is expected from the Strategic Procurement Review and a successful delivery of this review will be key in achieving the Council's	15	Exact scope to be discussed with Management	Paul Davies – Head of Procurement	Qtr 2/3

Audit	Link to the ANA & Risk Register / Basis for Inclusion	Days	Proposed Coverage	Initial Key Contact	Proposed Timing
	overall savings target.				
Others	To be discussed with DMT	20		N/A	N/A
REGENERATION & MAJOR PROJECT (75 DAYS)					
Capital Projects (contract audits)	Contracting and Procurement is a major risk area. There is thus a need to ensure that there is probity and integrity in this area.	30	Specific projects will be agreed with management for undertaking contract audits.	Andy Donald – Director of Regeneration & Major Project Richard Barrett – Head of Property and Asset Management	Q 2 & 3
Civic Centre Project (Move to Civic Centre)	The building of the Civic Centre will be completed during the 2013-14 financial year. There will therefore be a need to review the final accounts for the Civic Centre Contract.	15	Final Accounts Audit	Aktar Choudhury – Assistant Director Civic Centre Programme	Q2/3
Homelessness and Temporary Accommodation	Corporate Risk Register & Departmental Risk Register Impact of reductions in welfare & other benefits and in particular the caps on housing benefits	20	Exact scope to be determined in discussions with management	Perry Singh – Assistant Director - Housing	Q1/2
Housing Solutions (Choice based letting)/ Housing Allocations)	With the introduction of the housing benefits cap, a number of residents requiring alternative housing provision will increase. In addition, in an economic downturn, the demand for social housing in Brent is expected to rise, creating an additional pressure	10	Specific scope still to be discussed with management.	Laurence Coaker – Head of Housing Solutions Perry Singh – Assistant Director, Housing	Qtr4

Audit	Link to the ANA & Risk Register / Basis for Inclusion	Days	Proposed Coverage	Initial Key Contact	Proposed Timing
	<p>on the housing provision.</p> <p>Following the structure of the housing service area in 2011/12, a new structure with two main teams: Accommodation; went live effective from April 2012.</p>				
STRATEGY, PARTNERSHIP AND IMPROVEMENT (30 DAYS)					
Data Quality	<p>Data quality is key in providing robust management information to facilitate effective decision making processes.</p> <p>Previous audit work has identified weaknesses around the management of performance information, although the most recent work during 2010/11 found that improvements have been made. This remains a key risk area.</p>	10	<p>This work will focus on the controls in place to manage performance related data across the Council, including the controls in place around confirming that data is complete, accurate, valid, and timely, including where the source of this is external to the Council, i.e. through a partner organisation.</p>	Cathy Tyson – Assistant Director, Policy	Q1
Complaints	Department Operational Risk Register	10	<p>To focus on the controls in place for ensuring that all received complaints are dealt with in an appropriate and timely manner, in accordance with the Council's Complaints Policy, and the extent to which controls are in place for seeking to minimise future complaints.</p>	Cathy Tyson – Assistant Director, Policy	Q2
Public Health (transfer of responsibilities)	<p>Public Health Review of impact of Public Health coming under the control of local authorities in terms of Governance, data, performance and funding. We need to ensure that the Council (where relevant) designs an adequate control environment, whilst ensuring that they are able to meet the visions for Local Government</p>	10	Exact scope to be discussed with Management	To be determined	To be determined

Audit	Link to the ANA & Risk Register / Basis for Inclusion	Days	Proposed Coverage	Initial Key Contact	Proposed Timing
	leadership of Public Health, namely: including health in all policies; encouraging health promoting environments; investing in new schemes; supporting local communities; and tailoring services to individual needs.				
OTHER AUDITS FOR CONSIDERATION					
Registration & Nationality Service					
Children In Care					
S17 Payments					
Special Education Needs					
Nursery Grants					
Home to School Transport					
Public Health Responsibilities with regards to C & F					
Insurance					
WLA Transport Review					
Grants to Voluntary Organisations					
Housing Renovation Grants					
BHP (150 days)					
Brent Housing Partnership (BHP)	See separate BHP Plan	150	Draft Annual Plan has been formulated and is being presented to BHP's Audit & Finance Sub-Committee for approval.	N/A	N/A
OTHER (130 Days)					
Risk Management	In order to achieve the Council's	15	Update & Maintenance of Corporate and	All departments	Across the

Audit	Link to the ANA & Risk Register / Basis for Inclusion	Days	Proposed Coverage	Initial Key Contact	Proposed Timing
	objectives and priorities, it is key that a robust Risk Management process is embedded across the Council.		Departmental Risk Registers		Year
Governance & Audit Planning	Annual Governance Statement and Annual Internal Audit Plan	10	Annual Certificate of Assurance and attendance at DMT meetings to discuss 2014/15 Internal Audit Plan.	Mark Peart – Head of Financial Management	Q1/Q2
Consultation, Communication and Reporting (Deloitte)	N/A	55	<p>To cover:</p> <ul style="list-style-type: none"> • Attendance by Deloitte management at meetings across the Council, for example Strategic Finance Group, Schools Causing Financial Concern, and Audit & Investigations Management meetings; • Deloitte management attendance at Audit Committee meetings and the production of progress reports for these; • 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 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; • Day-to-day liaison with the in-house 	N/A	Throughout the year

Audit	Link to the ANA & Risk Register / Basis for Inclusion	Days	Proposed Coverage	Initial Key Contact	Proposed Timing
			Audit Manager; and <ul style="list-style-type: none"> General administration around the Deloitte element of the Plan, including the scheduling of work and monitoring of performance against the KPIs. 		
Follow-Up	If recommendations raised are not implemented by management, then the value derived from the work of Internal Audit is reduced and the Council's risk exposure is not reduced.	40	Completion of follow-up work in order to determine the extent to which previously raised recommendations have been implemented. This will be done 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	Across the year
Office Move	In preparation to the move to the new Civic Centre, some days have been put aside to deal with archiving files and new ways of working.	10	N/A	N/A	Q1
Contingency	To allow for any new or emerging risks which may be identified during the course of the year, particularly given the scale of changes taking place.	0	Contingency days have been factored into some Service Areas to ensure adequate coverage within the Service. 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 2013/14.	N/A – dependent upon work required	N/A – dependent upon work required
Total		1,200			

Appendix B – Audit Team and Contact Details

London Borough of Brent	Contact Details
Simon Lane – Head of Audit & Investigations	✉ simon.lane@brent.gov.uk
Aina Uduehi – Audit Manager	☎ 020 8937 1260
	✉ aina.uduehi@brent.gov.uk
	☎ 020 8937 1495

Deloitte & Touche Public Sector Internal Audit Limited	Contact Details
Mark Towler – General Manager	✉ phil.lawson@brent.gov.uk
Phil Lawson – Sector Manager	☎ 020 8937 1493
Shahab Hussein – Computer Audit Sector Manager	
Miyako Fujii – Senior Audit Manager	