



Brent

Audit Committee

Wednesday 26 June 2013 at 7.00 pm

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

Membership:

Members

Councillors:

Al-Ebadi
Cummins
Van Kalwala

first alternates

Councillors:

S Choudhary
Ashraf
Harrison

second alternates

Councillors:

Arnold
Lorber
Hector

For further information contact: Lisa Weaver, Democratic Services Officer
020 8937 1358, lisa.weaver@brent.gov.uk

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The press and public are welcome to attend this meeting

Agenda

Introductions, if appropriate.

Apologies for absence and clarification of alternate members

Item	Page
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 Deputations	
3 Minutes of the previous meeting	1 - 6
4 Matters arising	
5 External Audit Progress Report - KPMG	7 - 10
Attached is the external audit report for 2012/13.	
6 Annual Governance Report - Progress Report on Action Plan	11 - 20
This report sets out progress against the recommendations in the Annual Governance Report.	
Ward affected:	Contact Officer: Mick Bowden, Deputy Director of Finance
All Wards	Tel: 020 8937 1460 mick.bowden@brent.gov.uk
7 2012/13 Treasury Management Outturn Report	21 - 32
Attached is a report that is due to go to the Executive updating members on recent Treasury Management activity.	
Ward affected:	Contact Officer: Mick Bowden, Deputy Director

All Wards of Finance, Mark Peart
Tel: 020 8937 1460, mick.bowden@brent.gov.uk,
mark.peart@brent.gov.uk

8 Internal Audit Final Progress Report 33 - 40

This report is the annual report from the Head of Internal Audit. The report includes an opinion on the overall adequacy and effectiveness of the Council's internal controls and presents a summary of the audit work undertaken during the year.

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

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

9 Final Internal Audit Progress Report 2012/13 41 - 82

This report summaries the work of Internal Audit and the Investigation Team and provides an update on progress since the previous report to this Committee on 20th March 2013

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

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

10 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.

11 Date of next meeting

The next scheduled meeting of the Audit Committee is scheduled to be held on 25 September 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 20 March 2013 at 7.30 pm

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

Also present: Councillors S Choudhary and R Moher

Apologies for absence were received from: Councillor Van Kalwala

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

None.

2. **Minutes of the previous meeting**

RESOLVED:-

that the minutes of the previous meeting held on 9 January 2013 be approved as an accurate record of the meeting.

3. **Matters arising**

Certification of grants and returns 2011-12

The Chair enquired as to whether officers had raised with members of the Budget and Finance Overview and Scrutiny Committee, greater clarity about the reasons and levels of the Council's reserves. Mick Bowden, Deputy Director of Finance confirmed that the relevant report had been circulated to all members of that Committee and that reserves had been discussed at the February meeting of the Committee.

2012-13 Mid-year treasury report

Councillor Cummins noted the fluctuations in the pound and enquired whether it was still profitable to have the distribution currencies from the Icelandic banks held in Icelandic kroner. The Deputy Director of Finance responded that this would not necessarily be financially disadvantageous as the reserves would attract 3.4% interest as long as they were held in Icelandic kroner. However, the Council would look to recover the sums as soon as possible.

4. **Deputations**

None.

5. **External audit plan 2012-13**

The Committee received a report which supplemented KPMG's Audit Fee Letter presented to the Committee in August 2012 and which described how KPMG would deliver audit work for the Council.

Steve Lucas, Senior Manager of KPMG in introducing the report highlighted a number of significant risks identified in their audit which included property, plant and equipment; pension liability and pension costs; private finance initiative (PFI). He continued that the above areas would present complex accounting challenges for which KPMG would review the controls and arrangements that the Council had put in place to address them. He also brought to the Committee's attention additional risks identified on Housing Revenue Account, Carbon Reduction commitment and exit packages which resulted from changes to the Code of Practice on Local Authority Accounting. KPMG would review the arrangements that the Council had in place however, the Council would be required to ensure that the above items were accounted for in its 2012/13 financial statements appropriately.

Members heard that the Council's finance department could face two major challenges during the period the financial statements were being audited due to the intended office move to the civic centre and the new IT system which was supposed to be operational from 1 August 2013. Steve Lucas added that whilst plans were being made as to how the workload would be managed, the Council would need to demonstrate that the quality of its financial statements, working papers and audit responses did not suffer. He continued that KPMG would discuss arrangements and timetabling with officers and plan their work to help avoid bottlenecks and swiftly bring to the attention of the Deputy Director of Finance any consequent problems identified. KPMG would also review the Council's assessment of any potential liabilities arising from its savings plans against the Code and would consider the Council's progress made against recommendations to review and update its Anti-Fraud and Corruption Policy and options to meet the rising demand for school places.

In respect of the audit fee, Steve Lucas informed members that since it was presented to the Committee, a further risk relating to appointment and exit package for senior officers had come to light for which an additional fee of £12,000 had been agreed with the Council. He clarified that this involved the exit packages for the former Chief Executive and Director of Finance and Corporate Services, brought to KPMG's attention by a member of the public. This work was scheduled to commence in April 2013. Steve Lucas added that KPMG had not been alerted to further exit packages which would require additional work.

RESOLVED:

that the external audit plan 2012-13 be noted.

6. **Annual governance report - progress on action plan**

The Committee received a report from the Deputy Director of Finance which set out progress against the recommendations in the Annual Governance Report (AGR).

Mick Bowden, Deputy Director of Finance updated the Committee on progress made since the report was presented on 9 January 2013, adding that the overall plan for the production of the statement of accounts had been produced and shared with KPMG. He continued that individual finance teams had also prepared their detailed timetables and that progress made would be monitored closely during the process. He drew members' attention to the appendix attached to the report that set out the latest position on each recommendation, highlighting that the procurement savings for 2013/14 were on track to be exceeded.

RESOLVED:

that the progress report in relation to the action plan be noted.

7. Treasury management strategy 2013-14

The Committee received an information report on the Treasury Management Strategy for 2013/14, an extract from the Budget report approved by the Council on 25 February 2013.

The Deputy Director of Finance informed the Committee that interest rates were forecast to continue the trend of the last few years and would remain low for even longer, possibly remaining at 0.5% until 2016 given the outlook for limited economic growth and the continued austerity measures. He continued that the Authority would reappraise its strategies from time to time in response to evolving economic, political and financial events. Members noted that the Authority had £95.5m exposure to LOBO loans (Lender's Option Borrower's Option) of which £25m can be "called" within 2013/14. Those loans presented a potential refinancing risk to the Authority since the decision to call a LOBO was entirely at the lender's discretion. Any LOBOs called would be discussed with Arlingclose, the Council's treasury management adviser, prior to acceptance of any revised terms.

RESOLVED:

that the treasury management strategy for 2013/14 be noted.

8. Internal audit progress report

The Committee considered a report that summarised the work of Internal Audit and Investigations Team from 1 April 2012 to 28 February 2013 and provided further details of the work together with assurance ratings of reports issued.

Simon Lane, Head of Audit and Investigations informed the Committee that the Internal Audit Plan for 2012/13 comprised 1,200 days, of which 905 had been allocated to Deloitte Touche Public Sector Internal Audit Limited, and 295 to the in-house team. A total of 1004 days had been delivered against the overall Plan, made up of 761 Deloitte PSIA days and 243 days in-house days. This represented 84% of the Plan. He drew members' attention to the appendix to the report that set out the status of all projects from which it was noted that substantial assurance reports were received particularly for schools. Members heard that to date, the social housing fraud team had recovered 44 properties and investigations into

internal fraud cases had resulted in 4 officer dismissals and 3 who resigned or left prior to disciplinary action being taken.

In welcoming the progress report, the Chair observed that the progress made within the current economic climate was quite remarkable and paid tribute to officers within the Finance and Audit teams.

RESOLVED:

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

9. **Corporate risk register**

The report from the Deputy Director of Finance presented the Council's current Corporate Risk Register following review by the Corporate Management Team (CMT). Simon Lane, Head of Audit and Investigations clarified that the corporate risk register, which identified the Council's top strategic and operational risks, had evolved over the last year through consultation with Departmental Management Teams (DMTs) and had been the subject of review by CMT in April 2012, September 2012 and February 2013.

Simon Lane gave a summary of a number of refinements that had been made to the Council's risk management strategy. He added that on 28 February 2013, the Corporate Management Team (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 was on-going to develop a revised register which would seek to remove a number of the broader strategic risks and re-group the key operational risks, as identified currently in the register, under strategic risks. In drawing members' attention to a sample of strategic risks, the Head of Audit and Investigations highlighted an over-run of the civic centre, insufficient operational capacity to deliver improvements to the customer service experience at the new civic centre both of which could cause serious delays in realising the expected savings and the welfare reforms which would have severe impact on homelessness. Members heard that the register was now easy to understand and manage but nevertheless not less risky.

In the discussions that followed, Councillor Al-Ebadi queried the groupings and the apparent lack of future action to address the risks identified. In response, Simon Lane clarified that action points had been indicated in the report and that the columns shaded red indicated the events over which the Council had no direct control or inadequate resources to take the appropriate action. He added that the register was presented to the Executive once a year and the Policy Coordination Group (PCG) quarterly.

Whilst welcoming the improvements to the risk register the Chair felt that it would be more helpful if the register was presented to Executive members more than once a year and that all members of the Council had increased involvement in its scrutiny. Councillor Ruth Moher, Deputy Leader and the Lead Member for Finance and Corporate Resources suggested a presentation of the corporate risk register at one of the Member Development sessions.

RESOLVED:

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

10. Anti-fraud and bribery policy 2012

Members considered a report that sought approval for the council's new Anti-Fraud and Bribery Policy and for the roll out of an e-learning package developed by Deloitte for the National Fraud Authority.

Simon Lane, Head of Audit and Investigations in outlining the reasons for the anti-fraud and bribery policy informed the Committee about the renewed government focus on fraud, significant change to corruption legislation and the challenging times facing local authorities. He continued that in addition to facing the toughest funding settlement for decades, the council was required to identify savings of £100m over four years to 2014 to balance its budget with further cuts up to 2018. Such cuts inevitably would 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 carried its own fraud risks, significant welfare reform and greater commissioning of local authority services, the risk of fraud had never been higher. The new policy therefore reinforced the need to acknowledge, prevent and pursue fraud and bribery with effective, cost efficient and robust sanctions.

In welcoming the improved version of the council's anti-fraud and bribery policy, the Chair urged officers to publicise the policy as widely as possible including all among members of the council. In responding to a query by Councillor Choudhary, the Head of Audit and Investigations clarified that the fixed penalty of £50 for overpayment of welfare benefits resulting from the submission of incorrect information was set by legislation and could not be increased by the council.

RESOLVED:

that the draft Anti-Fraud and Bribery policy and the roll out of the e-learning package be approved.

11. Draft internal audit plan

The Committee considered a report that set out the Draft Internal Audit Plan (the Plan) for 2013/14 and the basis on which the plan has been formulated. Aina Uduehi, Audit Manager informed the Committee that the total number of audit days of 1200 days had been split between the in-house team (295) and Deloitte (905) and with reference to the attached appendix explained how the proposed breakdown of individual audits would be split across departments and the link between the audit plan and the Council's Risk Management Framework.

Aina Uduehi clarified that the Plan 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 was known.

Members noted that the Brent Housing Partnership (BHP) Plan was being presented separately to their Audit & Finance Sub-Committee for approval and that the approved Plan would be presented to the Committee for information purposes at the next scheduled meeting.

The Audit Manager continued that in order to help ensure that all key risk areas including new and emerging risks were identified the audit team was in the process of updating the Audit Needs Analysis (ANA) for 2013/14. Members heard that the Internal Audit Team would be attending Departmental Management Team (DMT) meetings between now and the end of the current financial year to seek further input from Directors and Assistant Directors on the ANA which would be focused around a set of internal and external risk factors set out in the report. Internal Audit would also liaise with the Council's external auditors (KPMG) regarding the content of the Plan thus allowing for a further input of knowledge with regards to key risk areas, as well as helping to ensure that the work of each risk area was co-ordinated, avoided gaps and duplication in coverage.

RESOLVED:

- (i) that the approach taken to formulate the draft plan for the 2013/14 financial year and the content of the draft plan in line with the Committee's role, as defined in the Constitution be noted;
- (ii) that approval be given to the commencement of work against the Annual Internal Audit Plan for the 2013/14 financial year, from 1 April 2013 with the final plan to be approved at the next scheduled meeting.

12. **Any other urgent business**

None.

13. **Date of next meeting**

The date of next meeting will be confirmed after the Council Annual meeting on 15 May 2013.

The meeting closed at 9.00 pm

S WOOD
Chair



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External Audit: Progress Report

London Borough of Brent

June 2013

London Borough of Brent

External Audit: Progress report 2012/13

<p>Summary of work performed by KPMG</p>	<p>Since the last Audit Committee meeting on 20 March 2013 we have;</p> <ul style="list-style-type: none"> • Updated our initial planning and approach to the audit; • Completed our testing on the opening balances for 2012/13; • Documented our understanding of the processes for Property, Plant and Equipment, Pension liability, Private Finance Initiative (PFI), journal transactions and cash systems and completed walk through tests where applicable at the interim audit; • Completed an initial review of overall financial management and governance arrangements in order to support our value for money conclusion; and • Completed the field work on our review of senior manager appointment and departure arrangements; <p>There are no issues arising from our work in the quarter that we need to raise with the Audit Committee.</p>												
<p>Summary of work proposed over next quarter</p>	<p>Our work over the next quarter will focus on:</p> <ul style="list-style-type: none"> • Auditing the financial statements we are due to receive on 30 June 2013 and preparing our ISA 260 report for the September Audit Committee meeting; • Completing our work on your value for money conclusion; • Auditing your Whole of Government Accounts return in line with the National Audit Office requirements; • Preparing and finalising our review of senior manager appointment and departure arrangements; • Initial work on the Housing Benefit grant claim including reconciliations with the financial systems; and • Auditing the Capital Receipts Return and National Non Domestic Rates Return. 												
<p>Staffing</p>	<p>Phil Johnstone has been appointed as the Director to replace Andrea White who left KPMG in April 2013. Phil and Andrea met with Christine Gilbert as part of our handover arrangements.</p>												
<p>Fees</p>	<p>We have issued our fee letter for 2013/14 which is in line with the scale fee recommended by the Audit Commission.</p> <table border="1" data-bbox="355 1480 1238 1767"> <thead> <tr> <th>Audit Area</th> <th>2013/14 (Proposed Scale Fee)</th> <th>2012/13 (planned Fee)</th> </tr> </thead> <tbody> <tr> <td>Audit of London Borough of Brent</td> <td>£263,520</td> <td>£275,520</td> </tr> <tr> <td>Audit of Pension Fund</td> <td>£21,000</td> <td>£21,000</td> </tr> <tr> <td>Certification of grant claims</td> <td>£36,000</td> <td>£39,500</td> </tr> </tbody> </table> <p>The fee is £12,000 less than the planned fee for 2012/13 as this included a specific review of the arrangements for the appointment and departure of senior officers.</p> <p>The Audit Commission has calculated the composite indicative fee for the certification of grant claims and returns. This is based on the Council requiring specific grants claims and returns to be certified.</p>	Audit Area	2013/14 (Proposed Scale Fee)	2012/13 (planned Fee)	Audit of London Borough of Brent	£263,520	£275,520	Audit of Pension Fund	£21,000	£21,000	Certification of grant claims	£36,000	£39,500
Audit Area	2013/14 (Proposed Scale Fee)	2012/13 (planned Fee)											
Audit of London Borough of Brent	£263,520	£275,520											
Audit of Pension Fund	£21,000	£21,000											
Certification of grant claims	£36,000	£39,500											

London Borough of Brent

External Audit: Progress report 2012/13


Actions	The Audit Committee is asked to: <ul style="list-style-type: none">• NOTE this progress report.	
Contacts	Phil Johnstone <i>Director</i> <i>KPMG LLP</i> Tel: 020 7311 2091 Mob: 077 6974 2275 philip.johnstone@kpmg.co.uk	Steve Lucas <i>Senior Manager</i> <i>KPMG LLP</i> Tel: 020 7311 2184 Mob: 078 2500 8824 stephen.lucas@kpmg.co.uk

London Borough of Brent

External Audit: Progress report 2012/13

Local Government Update

Matter	Impact on the Council
<p>Recent publications</p> <p>The Commissioning Joint Committee Guide to Service Sharing</p> <p>CIPFA published the above guide to service sharing in May 2013. Service sharing has moved on a long way, and a great deal of experience has been gained in the traditional ways of sharing services, and some new ways have been found. This guide reviews all the different methods, in order to try to pin down those that seem to work well in some circumstances and badly in others.</p> <p>Prudential Code for Capital Finance in Local Authorities - Guidance Notes for Practitioners 2013 edition</p> <p>CIPFA developed The Prudential Code for Capital Finance in Local Authorities (the Code) as a professional code of practice to support local authorities in taking decisions on capital investments. Key objectives of the Code are to ensure, within a clear framework, that local authorities' capital investment plans are affordable, prudent and sustainable; that treasury management decisions are taken in accordance with good professional practice; and that local strategic planning, asset management planning and proper option appraisal are supported.</p> <p>This guidance is intended to give practitioners a practical interpretation of the Code to enable them to meet its key principles of ensuring that capital programmes are affordable, prudent and sustainable and to explain this effectively to those charged with governance.</p>	<p>For information.</p>

 Brent	Audit Committee 26 June 2013 Report from the Deputy Director of Finance
Wards Affected: ALL	
ANNUAL GOVERNANCE REPORT – PROGRESS REPORT ON ACTION PLAN	

Forward Plan Ref:

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 Update reports on progress against each recommendation were provided on 9 January and 20 March 2013.

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

3.4 At the timing of writing this report the accounts are in the final stage of production in advance of the audit which will commence on 1 July 2013.

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, 9 January 2013 and 20 March 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 2013	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.
Update June 2013	Managing the workloads for key staff continues to be a significant issue but prioritisation of accounts work has been maintained.

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.
Update June 2013	All system updates have now been implemented and the asset register updated to reflect the review of assets undertaken.

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.
Update June 2013	Implementation of recommendations continues to be monitored on an ongoing basis. Full assurance opinions have been received on financial planning and cash management.

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
Update June 2013	Valuations completed in accordance with the agreed policy.

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.
Update June 2013	Disclosure notes being compiled in accordance with disclosure requirements. These will be subject to further quality review before submission to the auditors.

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.
Update June 2013	Policy approved at Audit Committee in March 2013. Has also been adopted by the Council's Corporate Management Team.

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.
Update June 2013	Based on the provisional outturn the Council has attained non-earmarked reserves of £12m as at 31 March 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	<p>Procurement is the subject of 3 one council projects:</p> <ul style="list-style-type: none"> • 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 • A project identifying savings from procurement activity. <p>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.</p>
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.
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Update June 2013	Key procurement projects continue to progress with positive results. In particular the West London Alliance joint parking procurement has exceeded the original forecast savings target.
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Recommendation 9

Continue to explore all options to meet the rising demand for school places in the borough.

Responsibility	Andy Donald / Krutika Pau
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Priority	High
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Date	Ongoing with first phase delivered by September 2013.
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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.
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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.
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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.
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Update June 2013	At its meeting in May 2013 the Executive received an update on the school expansion programme including temporary and permanent provision already achieved and the planned levels of provision deliverable by 2015-16. The council continues to work on a rolling programme enabling it to accommodate changes in demand and funding.
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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.
Update June 2013	Recent consideration of risk registers led by CMT included a thorough re-evaluation of existing risks to ensure the register provided an accurate reflection of current risks and the planned actions to manage those risks.

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 Brent	Executive 15 July 2013 Report from the Deputy Director of Finance
Wards Affected: ALL	
2012/13 Treasury Management Outturn Report	

1. SUMMARY

- 1.1 This report updates members on recent Treasury Management activity. The Council can confirm that it has complied with its Prudential Indicators for 2012/13. Details can be found in Appendix 1.

2. RECOMMENDATION

- 2.1 The Executive is asked to note the 2012/13 Treasury Management outturn report as also submitted to the Council and Audit Committee.

3. DETAIL

3.1 BACKGROUND

- 3.1.1 The Council's Treasury Management activity is underpinned by CIPFA's Code of Practice on Treasury Management ("the Code"), which requires local authorities to produce annually Prudential Indicators and a Treasury Management Strategy Statement on the likely financing and investment activity. The Code also recommends that members are informed of Treasury Management activities at least twice a year. A strategy is approved by the Council with the Budget and the outturn is reported as soon as possible after the end of the year and progress is reported half way through the year. Reports are scrutinised by the Audit Committee.
- 3.1.2 Treasury Management is defined as: "The management of the local authority'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."
- 3.1.3 Overall responsibility for Treasury Management remains with the Council. No Treasury Management activity is without risk; the effective identification

and management of risk are integral to the Council's Treasury Management objectives.

3.2 Economic Background

- 3.2.1 The global outlook stabilised mainly due to central banks maintaining low interest rates and expansionary monetary policy for an extended period. Equity market assets recovered sharply with the FTSE 100 registering a 9.1% increase over the year. This was despite economic growth in G-7 nations being either muted or disappointing.
- 3.2.2 In the UK the economy shrank in the first, second and fourth quarters of calendar 2012. It was the 0.9% growth in the third quarter, aided by the summer Olympic Games, which allowed growth to register 0.2% over the calendar year 2012. The expected boost to net trade from the fall in the value of sterling did not materialise, but raised the price of imports, especially low margin goods such as food and energy. Avoiding a 'triple-dip' recession became contingent on upbeat services sector surveys translating into sufficient economic activity to overhaul contractions in the struggling manufacturing and construction sectors.
- 3.2.3 Household financial conditions and purchasing power were constrained as wage growth remained subdued at 1.2% and was outstripped by inflation. Annual Consumer Price Index (CPI) dipped below 3%, falling to 2.4% in June 2012 before rising to 2.8% in February 2013. Higher food and energy prices and higher transport costs were some of the principal contributors to inflation remaining above the Bank of England's 2% CPI target.
- 3.2.4 The lack of growth and the fall in inflation were persuasive enough for the Bank of England to maintain the Bank Rate at 0.5% and also sanction additional £50 billion asset purchases as part of its Quantitative Easing (QE) programme in July, taking total QE to £375 billion. The possibility of a rate cut was discussed at some of the Bank's Monetary Policy Committee meetings, but was not implemented as the potential drawbacks outweighed the benefits. In the March Budget the Bank's policy was revised to include the 2% CPI inflation remit alongside the flexibility to commit to intermediate targets.
- 3.2.5 The labour market was surprisingly resilient, with the unemployment rate falling to 7.8%. Many of the gains in employment were through an increase in self-employment and part time working.
- 3.2.6 The Chancellor largely stuck to his fiscal plans with the austerity drive extending into 2018. In March the Office for Budgetary Responsibility (OBR) halved its forecast growth in 2013 to 0.6% which then resulted in the lowering of the forecast for tax revenues and an increase in the budget deficit. The government is now expected to borrow an additional £146bn and sees gross debt rising above 100% of GDP by 2015-16. The fall in debt as a percentage of GDP, which the coalition had targeted for 2015-16, was deferred by two years. With the national debt metrics inconsistent with a triple-A rating, it was not surprising that the UK's sovereign rating was

downgraded by Moody's to Aa1. The AAA status was maintained by Fitch and S&P, albeit with a Rating Watch Negative and with a Negative Outlook respectively.

3.2.7 Gilt Yields and Money Market Rates: Gilt yields ended the year lower than the start in April. 10-year yields fell by nearly 0.5% ending the year at 1.72%. The reduction was less pronounced at the longer end; 30-year yields ended the year at 3.11%, around 25bp lower than in April.

3.2.8 The Funding for Lending Scheme caused a sharp drop in rates at which banks borrowed from local government. 3-month, 6-month and 12-month Libid rates which were 1%, 1.33% and 1.84% at the beginning of the financial year fell to 0.44%, 0.51% and 0.75% respectively.

3.3 THE BORROWING REQUIREMENT AND DEBT MANAGEMENT

PWLB Certainty Rate

3.3.1 The Certainty Rate was introduced by the PWLB in November 2012, allowing the authority to borrow at a reduction of 20bps on the Standard Rate.

Borrowing Activity in 2012/13

	Balance on 01/04/2012 £m	Debt Maturing £m	New Borrowing £m	Balance on 31/03/2013 £m	Average Rate %
CFR	500				
Short Term Borrowing	26	96	70	0	0
Long Term Borrowing	405	3	30	432	4.69
TOTAL BORROWING	431	99	100	432	4.69

3.3.2 The Council funded £30m of its capital expenditure through new long term borrowing. The PWLB remained the Council's preferred source of borrowing given the transparency and control that its facilities continue to provide. The average rate payable on the debt is 2.49% and average maturity is 18 years, though as the loan is repayable by Equal Instalments of Principal (EIP), the balance outstanding will fall steadily over the life of the loan.

3.3.3 Given the large differential between short and longer term interest rates, which is likely to remain a feature for some time in the future, as well as the pressure on Council finances, the debt management strategy sought to lower debt costs within an acceptable level of volatility (interest rate risk). Loans that offered the best value in the prevailing interest rate environment were PWLB medium-term EIP loans and temporary borrowing from the market. Use of these instruments also involves a level of repayment every year, which offers an element of flexibility in case the level of the borrowing requirement does not continue to rise, as has been the case in the past.

Internal Borrowing

3.3.4 Given the significant cuts to local government funding putting pressure on Council finances, the strategy followed was to minimise debt interest payments without compromising the longer-term stability of the portfolio. The differential between the cost of new longer-term debt and the return generated on the Council's temporary investment returns was significant (between 2% - 3%). The use of internal resources in lieu of borrowing was judged to be the most cost effective means of funding £50m of capital expenditure. This has, for the time being, lowered overall treasury risk by reducing both external debt and temporary investments. Whilst this position is expected to continue in 2013/14, it will not be sustainable over the medium term. The Council expects it will need to borrow £120m for capital purposes by the end of 2015 - 16.

Lender's Option Borrower's Option Loans (LOBOs)

3.3.5 No lenders have exercised their options to change the terms of LOBO loans during the year

3.3.6 The 2011 revision to the CIPFA Treasury Management Code now requires the prudential indicator relating to Maturity of Fixed Rate Borrowing to reference the maturity of LOBO loans to the earliest date on which the lender can require payment, i.e. the next call date. This change is reflected in Appendix 1, paragraph (c).

3.3.7 Changes in the debt portfolio have decreased the average life from 40 years to under 39 years but has smoothed the maturity profile somewhat and introduced an element of flexibility in case the Council's need to borrow starts to decline in the future.

3.4 INVESTMENT ACTIVITY

3.4.1 DCLG's Investment Guidance requires local authorities to focus on security and liquidity, rather than yield.

Investment Activity in 2012/13

Investments	Balance on 01/04/2012 £m	Investments Made £m	Maturities/ redemptions £m	Balance on 31/03/2013 £m	Average Rate %
Short Term Investments	34	1,840	1,826	48	0.59
Investments in Pooled Funds	10	226	220	16	0.33
TOTAL INVESTMENTS	44	2,066	2,046	64	0.59

3.4.2 Security of capital remained the Council's main investment objective. This was maintained by following the Council's counterparty policy as set out in its Treasury Management Strategy Statement for 2012/13. Investments during the year included:

- Deposits with other Local Authorities
- Investments in AAA-rated Money Market Funds

Call accounts and deposits with UK Banks
Deposits with the Debt Management Office

Credit Risk

- 3.4.3 Counterparty credit quality was assessed and monitored with reference to credit ratings, credit default swaps, GDP of the country in which the institution operates and the country's net debt as a percentage of GDP, any potential support mechanisms and share price. The minimum long-term counterparty credit rating determined for the 2012/13 Treasury Management strategy was A+/A+/A1 across rating agencies Fitch, S&P and Moody's until the end of February. Following a review of the significance of credit ratings and their implications for risk, and with the advice of our advisors, Arlingclose, the Treasury Management Strategy Statement for 2013 - 14 revised the minimum ratings to A-/ A-/A3, with the proviso that institutions which met these criteria would still be subject to more wide ranging considerations to ensure that Officers were comfortable with institutions included on the Lending List.
- 3.4.4 In June Moody's downgraded a range of banks with global capital market operations, including the UK banks on the Council's lending list - Barclays, HSBC, Royal Bank of Scotland/Natwest, Lloyds TSB Bank/Bank of Scotland and Santander UK plc - as well as several non UK banks. These ratings fell below the Council's minimum criteria at the time and were removed from the list. Following the review, they have been reinstated.
- 3.4.5 Counterparty credit quality has been maintained as demonstrated by the Credit Score Analysis summarised below. The table in Appendix 2 explains the credit score.

Credit Score Analysis 2012/13

Date	Value Weighted Average Credit Risk Score	Value Weighted Average Credit Rating	Time Weighted Average Credit Risk Score	Time Weighted Average Credit Rating	Average Life (days)
31/03/2012	2.18	AA+	2.38	AA+	3
30/06/2012	1.99	AA+	1.75	AA+	87
30/09/2012	1.99	AA+	1.75	AA+	87
31/12/2012	2.59	AA	1.77	AA+	90
31/03/2013	4.40	AA-	4.43	AA-	233

Liquidity

- 3.4.6 The Council maintained a sufficient level of liquidity through the use of Money Market Funds, call accounts and short term deposits.

Yield

- 3.4.7 The Council sought to optimise returns commensurate with its objectives of security and liquidity. The UK Bank Rate was maintained at 0.5% throughout the year.

- 3.4.8 In response to uncertain and deteriorating credit conditions in Europe, the Council's Lending List was restricted and, for a time, a very narrow range of counterparties was used. With slightly improved credit conditions as winter went on, it was felt to be prudent to extend the list, though Eurozone and some other European banks are still not included, as conditions in the Eurozone are still not felt to be sufficiently predictable to make them acceptable risks.
- 3.4.9 The Council's budgeted investment income for the year had been estimated at £0.16m. The average cash balances representing cash available to the Council for the short term were £73m during the period and interest earned was £0.28m.

Update on Investments with Icelandic Banks

- 3.4.10 In December 2011, the Courts determined that local authority deposits with Glitnir qualified for priority status, which means that the Council should recover 100% of its deposit. The decision was final and there is no further right of appeal. However the final recovery will be influenced by the exchange rate when the Icelandic krona becomes convertible. About £1m remains outstanding.
- 3.4.11 The liquidators of Heritable expected that 88p/£ or more will be recovered overall, though some commentators feel that this is a conservative estimate. 77% has been recovered to date, and a further 5% is expected in 2013/14.
- 3.4.12 CIPFA has issued recently further updated guidance on the accounting treatment as LAAP 82 (update 7); this is not felt to require revision to the approach which the Council has taken up to now.

Compliance

- 3.4.13 in compliance with the requirements of the CIPFA Code of Practice this report provides members with a summary report of the Treasury Management activity during 2012/13. None of the Prudential Indicators have been breached and a prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.
- 3.4.14 The Authority can confirm that during 2012/13 it complied with its Treasury Management Policy Statement and Treasury Management Practices.

BACKGROUND INFORMATION

Logotech Loans Management System.

Arlingclose reports on Treasury Management.

2012/13 Budget and Council Tax report – 27 February, 2012

CONTACT OFFICERS

Anthony Dodridge, Head of Exchequer and Investments – 020 8937 1472

Mark Peart, Head of Financial Management – 020 8937 1568

Mick Bowden
Deputy Director of Finance
and Corporate Services

Appendix 1

Prudential Indicator Compliance

(a) Authorised Limit and Operational Boundary for External Debt

The Local Government Act 2003 requires the Council to set an Affordable Borrowing Limit, irrespective of their indebted status. This is a statutory limit which should not be breached.

The Operational Boundary is based on the same estimates as the Authorised Limit but reflects the most likely, prudent but not worst case scenario without the additional headroom included within the Authorised Limit.

The Deputy Director of Finance confirms that there were no breaches to the Authorised Limit and the Operational Boundary during the year; borrowing at its peak was £455m.

	Operational Boundary (Approved) as at 31/03/2013 £m	Authorised Limit (Approved) as at 31/03/2013 £m	Actual External Debt as at 31/03/2013 £m
Borrowing	823	723	432

(b) Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure

These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates.

The upper limit for variable rate exposure allows for the use of variable rate debt to offset exposure to changes in short-term rates on our portfolio of investments.

	Approved Limits for 2012/13 %	Maximum during 2012/13 /%
Upper Limit for Fixed Rate Exposure	100	100
Compliance with Limits	Yes	Yes
Upper Limit for Variable Rate Exposure	40	16
Compliance with Limits	Yes	Yes

Maturity Structure of Fixed Rate Borrowing

This indicator is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates.

Maturity Structure of Fixed Rate Borrowing	Upper Limit %	Lower Limit %	Actual Borrowing as at 31/03/2013 £m	Actual Borrowing as at 31/03/2013 %	Compliance with Set Limits?
under 12 months	40	0	50	12	Yes
12 months and within 24 months	20	0	9	2	Yes
24 months and within 5 years	20	0	48	11	Yes
5 years and within 10 years	60	0	36	8	Yes
10 years and within 20 years	100	0	9	2	Yes
20 years and within 30 years	100	0	20	5	Yes
30 years and within 40 years	100	0	76	18	Yes
40 years and above	100	0	184	42	Yes
Total			432	100	

The 2011 revision to the CIPFA Treasury Management Code now requires the prudential indicator relating to Maturity of Fixed Rate Borrowing to reference the maturity of LOBO loans to the earliest date on which the lender can require payment, i.e. the next call date

Capital Expenditure

This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits, and, in particular, to consider the impact on Council tax and in the case of the HRA, housing rent levels.

Capital Expenditure	2012/13 Approved £m	2012/13 Actual £m	31/03/2014 Estimate £m	31/03/2015 Estimate £m
Non-HRA	185		85	107
HRA	13		17	10
Total	198		102	117

Ratio of Financing Costs to Net Revenue Stream

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs.

The ratio is based on costs net of investment income.

Ratio of Financing Costs to Net Revenue Stream	2012/13 Approved %	2012/13 Actual %	31/03/2014 Estimate %	31/03/15 Estimate %
Non-HRA	9.63	8.47	8.83	10.25
HRA	22.18	21.17	20.34	15.85

Adoption of the CIPFA Treasury Management Code

This indicator demonstrates that the Authority adopted the principles of best practice.

Adoption of the CIPFA Code of Practice in Treasury Management
The Council approved the re-adoption of the CIPFA Treasury Management Code at its meeting on 27 February, 2012

Upper Limit for Total Principal Sums Invested Over 364 Days

The purpose of this limit is to contain exposure to the possibility of loss that may arise as a result of the Authority having to seek early repayment of the sums invested.

Upper Limit for total principal sums invested over 364 days	2012/13 Approved £m	2012/13 Actual £m	31/03/2014 Estimate £000s	31/03/15 Estimate £000s
	20	0	0	0

HRA Limit on Indebtedness

	2012/13 Approved £m	2013/13 Actual £m	31/03/2014 Estimate £000s	31/03/15 Estimate £000s
HRA Debt Cap (as prescribed by CLG)	199	199	199	199
HRA CFR	137	137	137	137
Difference	62	62	62	62


Appendix 2

Credit Score Analysis

Long-Term Credit Rating	Score
AAA	1
AA+	2
AA	3
AA-	4
A+	5
A	6
A-	7
BBB+	8
BBB	9
BBB-	10
Not rated	11
BB	12
CCC	13
C	14
D	15

The value weighted average reflects the credit quality of investments according to the size of the deposit. The time weighted average reflects the credit quality of investments according to the maturity of the deposit

The Council aimed to achieve a score of 7 or lower, to reflect the Council's overriding priority of security of monies invested and the minimum credit rating of threshold of A- for investment counterparties.

 Brent	Audit Committee 26 June 2013 Report from the Director of Finance and Corporate Services
Wards Affected: ALL	
Internal Audit Annual Report 2012/13	

1. Summary

- 1.1. This report is the annual report from the Head of Internal Audit. The report includes an opinion on the overall adequacy and effectiveness of the Council's internal controls and presents a summary of the audit work undertaken during the year.

2. Recommendations

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

3. Detail

- 3.1. The Accounts and Audit Regulations 2011¹, as amended, require the Council to maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control. The role of internal audit is to provide an independent and objective opinion on the control environment within the Council. Internal audit work is undertaken in accordance with the CIPFA Internal Audit Code of Practice 2006² ("the code"). The code sets out a number of elements to be included in an annual report from the Head of Audit. These are:
 - An opinion on the overall adequacy and effectiveness of the internal control environment
 - Any qualifications to the opinion
 - A summary of audit work undertaken
 - Any issues particularly relevant to the Annual Governance Statement
 - A comparison of the work undertaken against the plan and performance issues

- A comment on compliance with the CIPFA code
- 3.2.** A new code for internal audit has been developed across the private and public sectors. The Public Sector Internal Audit Standards (PSIAS) are in force from 1st April 2013 and compliance is required during the current year. The changes arising from this new code will be set out in a report to the committee later in the year.

Opinion of the Head of Audit and Investigations

- 3.3.** *“I have considered all of the work conducted by internal audit staff, the council’s audit contractor, Deloitte and Touche Public sector Internal Audit Ltd and fraud investigation staff for the year ended 31 March 2013 and work undertaken post year end. This includes oversight of all internal audit reports and fraud investigations and personal conduct of specific projects. In my opinion, with the exception of those issues set out in paragraph 3.1 and within those areas where limited or nil assurance reports have been issued, the controls in place in those areas reviewed are adequate and effective. Where weaknesses have been identified within internal audit reports, these are being addressed by management and followed up by Internal Audit.*”

Qualifications to the Opinion





- 3.1.** *Within Children and Families there has been an instance of incorrect accounting information being reported to improve the appearance of year end deficit positions. This resulted in an understatement of overspend by £1,000,000 in the placements budget. This area is part of the One Council Savings programme.*

Summary of Work Undertaken - Audit

- 3.2.** The final 2012/13 Audit Plan was approved by the Audit Committee on 27th June 2012³. The plan allocated 1200 audit days across all areas of the council’s operation, including 154 within Brent Housing Partnership.
- 3.3.** At the end of March 2013, 1,160 days had been delivered representing 97% of the audit plan. The outstanding 40 days relate, primarily, to work which was withdrawn due to the move to the civic centre.
- 3.8** Audit work focused on the reliability of the financial and operational information, management accounting controls, safeguarding of assets, economy and efficiency of operations and review of compliance with relevant statutes and Council regulations.
- 3.4.** For each audit where controls have been analysed, an assurance statement is issued. This simple grading mechanism provides an indication of the level of confidence in the controls in operation and the extent to which they are being applied. Each category is defined below:

Full Assurance	There is a sound system of control designed to achieve the client's objectives. The control processes tested are being consistently applied.
Substantial Assurance	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 Assurance	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.
No Assurance	Control processes are generally weak leaving the processes/systems open to significant error or abuse. Significant non-compliance with basic controls leaves the processes/systems open to error or abuse.

3.5. It is positive to note that there has been an improvement in the balance between limited and substantial assurance as set out below:

	Full 	Substantial 	Limited 	None 
2011/12	-	43% (22)	50% (26)	8% (4)
2012/13	4%(2)	64% (37)	28% (16)	4% (2)

3.6. The following table indicates the audits completed and relevant levels of assurance during the 2012-13 financial year:

Ref	Audit Area	Level of Assurance
1.	Financial Planning	Full
2.	Cash & Banking	Full
3.	Council Tax	Substantial
4.	NNDR (Buisness Rates)	Substantial
5.	Housing & Council Tax Benefits	Substantial
6.	Treasury Management	Substantial
7.	Payroll	Substantial
8.	Accounts Receivable	Substantial
9.	General Ledger	Substantial
10.	Pension Fund Administration	Substantial
11.	College Green Nursery	Substantial
12.	Furness Primary School	Substantial
13.	Lyon Park Junior School	Substantial
14.	St Mary's CE Primary School	Substantial
15.	Oliver Goldsmith Primary School	Substantial
16.	Convent of Jesus & Mary Primary School	Substantial
17.	Roe Green Infants	Substantial
18.	Roe Green Juniors	Substantial
19.	St Josephs Infants	Substantial
20.	St Joseph's Juniors	Substantial
21.	St Joseph's RC Primary School	Substantial
22.	Newfield Primary School	Substantial
23.	Elsley Primary School	Substantial
24.	St Mary Magdalen School	Substantial
25.	Preston Manor Secondary School	Substantial
26.	St Gregory's Secondary School	Substantial
27.	The Village School	Substantial
28.	Phoenix Arch	Substantial
29.	Fawood Children Centre	Substantial
30.	Manor School	Substantial
31.	Property Disposals	Substantial
32.	Building Control & Enforcement	Substantial
33.	Partnership Management	Substantial

34.	Public Sector Reform – Policy & Key Legislative Changes	Substantial
35.	Capital Projects (contract audits)	Substantial
36.	Automated Customer Contact (IT)	Substantial
37.	Wireless Networks (IT)	Substantial
38.	Safeguarding (Children)	Substantial
39.	Libraries (Children)	Substantial
40.	Appointment of Consultants & Non Agency Staff	Limited
41.	Comensura	Limited
42.	Oyster Cards	Limited
43.	Chalkhill Primary School	Limited
44.	Accounts Payable	Limited
45.	Stonebridge Primary School	Limited
46.	Granville	Limited
47.	Mayor's Office	Limited
48.	Language Shop	Limited
49.	Mental Health Partnership	Limited
50.	Home Care	Limited
51.	Appointeeship & Receivership	Limited
52.	Personal Budgets and Direct Payments (ASS)	Limited
53.	High Value Contracts – Compliance with Blue Book	Limited
54.	Northgate SX3 Housing Benefits System (IT)	Limited
55.	IT Service Management (ICT Infrastructure Library)	Limited
56.	Torah Temimah	Nil
57.	Newman Cathilic College	Nil
58.	Reform of Council Tax Benefit	Non Assurance Work
59.	Olympics	Non Assurance Work
60.	Civic Centre Project (Move to Civic Centre)	Non Assurance Work
61.	Staff Expenses	Non Assurance Work
62.	Housing Rents (BHP)	BHP
63.	CAM Estate (Major Works Contract)	BHP
64.	The Grove (Major Works Contract)	BHP
65.	Procurement & Contracts (Non-Major Works)	BHP
66.	Rent Arrears Management	BHP
67.	Internal Financial Controls	BHP

68.	Tenant Management Organisations – Watling Gardens	BHP
69.	Tenant Management Organisation – Kilburn Square Co-op	BHP
70.	Housing Repairs & Maintenance	BHP
71.	Management of Non-Brent Properties	BHP
72.	V5 System (Housing Rents)	BHP

Summary of Work Undertaken - Fraud

- 3.7. In addition to internal audit work, the Audit and Investigation Team has responsibility for fraud and other investigation across the council. Fraud can impact upon the council's finances and may have implications for the systems of internal control.
- 3.8. Fraud affecting the council can be split between internal, committed by staff, or external, committed by third parties. As with all other large institutions in both the public and private sector, the council suffers from both.
- 3.9. The fraud case load is split over seven main areas. The 2012/13 case load statistics are shown in table 2 below.

Fraud Area	New Cases	Cases Closed	Cases Investigated	Fraud Identified
Housing Benefit*	666	622	190	121
Housing Tenancy Related	206	227	222	59
Blue Badge	28	23	23	10
Other external / third party	37	17	8	2
Internal	47	42	41	18
Totals	984	931	484	222

Table 2 – Fraud Case Load 2012/13

- 3.10. In relation to housing benefit fraud the team completed investigations into 190 cases with fraud proven in 121 cases. The value of fraudulent overpayments (including DWP benefits) created as a result of investigations in 2012/13 was £2.45 million. Of this amount, £1.78 million relates to housing or council tax benefit.
- 3.11. In relation to housing tenancy fraud the team received 206 new referrals and completed investigations into 222 cases. As a result of these investigations the team recovered 57 properties. Including 5 managed by housing

associations. These recoveries have a significant financial impact on the housing revenue account and temporary accommodation budget.

- 3.12. Blue Badge fraud continues to be an issue for the council and, although is a relatively low value offence, it has a high profile with members of the public. This abuse takes a number of forms. The lowest level is misuse of a badge by a family member when the badge holder is not present. This abuse is normally dealt with by the parking enforcement team. More serious offences such as persistent misuse, false applications for a badge, forged or counterfeit badges or misuse by a council officer are dealt with by Audit and Investigations. The team completed 23 investigations during the year resulting in 8 warnings and 2 prosecutions. There were an additional two cases involving staff members who both resigned pending disciplinary.
- 3.13. In relation to internal fraud there were 41 investigations completed during the year. Fraud or irregularity was established in 18 of these cases resulting in 5 dismissals at disciplinary, 10 resignations and 2 warnings.
- 3.14. In addition, the team undertook a proactive exercise to identify bogus student discounts for council tax. This resulted in the cancellation of £84,000 of in year discount.
- 3.15. A more detailed review of fraud work is included in the internal audit year end progress report which is included within the agenda for this meeting.

Issues relevant to the Annual Governance Statement

- 3.16. The issue set out in paragraph 3.1 is relevant to the annual governance statement.

Compliance with the CIPFA Code of Practice for Internal Audit in Local Government

- 3.17. The CIPFA Code of Practice² is a non-statutory code. However, the Accounts and Audit Regulations 2011¹, require the Council to maintain an adequate and effective system of internal audit in accordance with proper internal audit practices. The guidance accompanying the Accounts and Audit Regulations specifies that proper practices are those contained within the CIPFA code. Internal Audit is, therefore, required to comply with the code.
- 3.18. The elements of the code are reflected in the Terms of Reference for Internal Audit which have previously been approved by this committee at its meeting on 29th September 2010⁴. The Internal Audit Team works in accordance with these standards and has a quality control mechanism which involves an internal quality review of all audit reports and ongoing supervision and appraisal of all staff.

4. Financial Implications

- 4.1. None

5. Legal Implications

5.1. None

6. Diversity Implications

6.1. None


7. Background Papers

1. Accounts and Audit Regulations 2011
2. Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 – CIPFA
3. REPORT FROM THE DIRECTOR OF FINANCE – INTERNAL AUDIT PLAN FOR 2012-13, *Audit Committee – 27th June 2012.*
4. Report from the Director of Finance and Corporate Resources – Internal Audit Terms of Reference and Strategy, *Audit Committee – 29th September 2010.*

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

 Brent	Audit Committee 26 June 2013 Report from the Deputy Director of Finance and Corporate Services
Wards Affected: ALL	
Final Internal Audit Progress Report 2012/13	

1. Summary

- 1.1. This report summaries the work of Internal Audit and the Investigation Team and provides an update on progress since the previous report to this Committee on 20th March 2013.

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 2012/13¹ 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 1160 days have been delivered against the overall Plan, made up of 865 Deloitte PSIA days and 295 in-house days. This represents 97% of the Plan and is a slight deterioration on the previous year when 99% of the plan was delivered. The deterioration relates to the removal of 40 days from the plan as a result of a number of IT audits not being undertaken due to systems changes and the move to the Civic Centre. These 40 days relate to the Deloitte element of the plan and their charges under the contract have been amended accordingly.

- 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 the table below:

Audit	Planned Days	Revised Days	Total Days Delivered	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	13	Final Report	Limited	6	3	0	05/06/2013
Comensura	15	15	15	Final Report	Limited	4	6	0	15/09/2012
Oyster Card	0	12	12	Final Report	Limited	6	3	0	13/06/2013
Corporate/Cross Cutting Total	25	40	40						
Finance and Corporate Services (FCS)									
Council Tax	15	20	20	Final Report	Substantial (Unchanged)	0	7	3	30/04/2013
Reform of National Non Domestic Rates (NNDR)	5	1	1	N/A					
NNDR	15	15	15	Final Report	Substantial (Unchanged)	0	4	2	24/05/2013
Reform of Council Tax Benefits	10	10	10	Flowchart issued	N/A				
Housing and Council Tax Benefits	20	20	20	Final Report	Substantial (Deteriorated)	2	3	2	12/06/2013
Treasury Management	10	10	10	Final Report	Substantial (Deteriorated)	1	1	1	18/03/2013
Payroll	20	25	25	Final Report	Substantial (Unchanged)	4	5	1	14/03/2013
Accounts Payable	15	15	15	Final Report	Limited (Deteriorated)	3	5	1	18/12/2012
Accounts Receivable	15	15	15	Final Report	Substantial (Improved)	1	6	1	06/02/2013
General Ledger	15	15	15	Final Report	Substantial (Improved)	1	1	0	18/12/2012
Cash and Banking	15	15	15	Final Report	Full (Improved)	0	0	0	24/05/2013
Pension Fund Administration	20	20	20	Final Report	Substantial (Unchanged)	-	6	1	06/09/2012
One Council Project - Oracle HR Project	10	0	0	Withdrawn due to Athena project.					
One Council Project – Athena	0	4	4	Attendance at various Athena meetings (2* Managers)					
Once Council Project – Customer Service	12	0	0	Withdrawn following a meeting with the Head of Service. 12 to 0.					
Staff Expenses (Contingency days used)	0	20	20	Final Report	N/A				
Financial Planning	15	15	15	Final Report	Full	0	0	0	15/03/2013
FCS Total	212	220	220						

Children & Families									
School Audits	Total								
Primary/Junior Schools	150								
Chalkhill	10	10	10	Final Draft Report	Limited	6	11	1	02/08/2012
Our Lady of Grace Infants	10	0	0	Deferred to 2013/14					
College Green Nursery	0	10	10	Final Report	Substantial	3	10	5	11/06/2013
Woodfield	10	0	0	Deferred to 2013/14					
Furness	10	10	10	Final Report	Substantial	1	9	4	06/06/2013
Lyon Park Juniors	10	12	12	Final Report	Substantial	1	9	0	15/09/2012
St Mary's CE	10	12	12	Final Report	Substantial	0	5	6	05/06/2013
Oliver Goldsmith	10	11	11	Final Report	Substantial	3	5	5	12/12/2012
Convent of Jesus and Mary	10	10	10	Final Report	Substantial	1	7	5	01/02/2013
Elsley	10	10	10	Final Report	Substantial	3	5	2	26/11/2012
Roe Green Infants	10	10	10	Final Report	Substantial	1	10	0	28/11/2012
Roe Green Juniors	10	10	10	Final Report	Substantial	1	10	1	28/11/2012
Sudbury	10	0	0	Withdrawn as the School is now Academy					
St Joseph Junior	10	10	10	Final Report	Substantial	2	6	2	20/02/2013
St Joseph Infants	10	10	10	Final Report	Substantial	1	4	1	20/02/2013
St Joseph's RC Primary	10	10	10	Final Report	Substantial	2	3	2	22/11/2012
Newfiled	10	12	12	Final Report	Substantial	2	11	0	07/12/2012
St Mary Magdalen	10	10	10	Final Report	Substantial	4	4	2	26/11/2012
Stonebridge	10	11	11	Final Report	Limited	11	8	0	13/06/2013
Torah Temimah	10	11	11	Final Report	Nil	16	7	0	21/11/2012
Newman CC (Secondary)	10	12	12	Draft Report	Nil	22	13	0	09/05/2013
Preston Manor (Secondary)	10	12	12	Final Draft	Limited	10	16	0	03/12/2012
St Gregory's (Secondary)	5	7	7	Final Report	Substantial	0	4	2	11/04/2013
The Village (Special)	10	10	10	Final Report	Substantial	3	9	2	21/06/2013
Granville	0	10	10	Final Draft	Limited	5	10	1	14/05/2013
Phoenix Arch	0	10	10	Draft Report	Substantial	3	9	2	21/06/2013
Fawood	0	12	12	Final Report	Substantial	3	14	0	21/06/2013
Manor (Special)	3	3	3	Final Report	Non Assurance Work.			31/08/2012	
Follow up of limited assurance Schools	20	21	21	Throughout the year.					
Safeguarding of Children	15	15	15	Draft Report	Substantial	0	4	0	20/06/2013
School CRF Data Analysis	0	2	2						
Children & Families Total	263	293	293						
Environment & Neighbourhood									
Parking Enforcement (Withdraw from the plan)	20	0	0	Withdrawn from the plan due to new West London contract being let					
Olympics	10	10	10	Final Report	Non Assurance Work.			27/07/2012	
Libraries	15	15	15	Draft Report	Substantial	0	4	0	21/06/2013
EN Total	45	25	25						

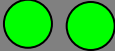



Customer & Community Engagement									
Mayor's Office	8	8	8	Final Report	Limited	5	1	0	15/09/2012
Language Shop	12	12	12	Final Report	Limited	4	2	0	17/09/2012
CCE Total	20	20	20						
Adult Social Services									
Mental Health Partnership	20	20	20	Final Report	Limited	7	1	0	10/09/2012
Home Care	15	15	15	Final Report	Limited	3	3	2	29/05/2013
Appointeeship, Receivership, and Power of Attorney	10	25	25	Final Report	Limited	15	9	1	16/11/2012
Personalised Budgets and Direct Payments	20	20	20	Final Report	Limited	10	6	1	13/06/2013
HCC Total	65	80	80						
Legal and Procurement									
Procurement	15	0	0	This is covered under the Athena Project and withdrawn from the plan.					
High Value Contracts – Compliance with the Blue Book	20	20	20	Final Report	Limited	6	3	0	25/07/2012
Legal and Procurement Total	35	20	20						
Regeneration and Major Project (RMP)									
Capital Projects (contract audits)	30	30	30	Final report	Substantial	0	5	2	13/06/2013
Civic Centre Project (Move to the Civic Centre)	10	10	10	Final Report	Non Assurance Report			14/09/2012	
Housing Solutions (Choice based letting/housing allocations)	15	0	0	Withdrawn due to ongoing consultation.					
Property Disposal	0	11	11	Final Report	Substantial	0	6	0	06/06/2013
Building Control and Enforcement	15	18	18	Final Report	Substantial	3	13	0	16/11/2012
RMP Total	70	69	69						
Strategy, Partnership, and Improvement (SPI)									
Partnership Management	10	10	10	Final Report	Substantial	0	2	0	21/09/2012
Public Sector Reform – Policy and Key Legislative Changes	15	15	15	Final Report	Substantial	0	1	0	21/09/2012
SPI Total	25	25	25						

Computer Audit									
Oracle Financials Application Audit	10	0	0	Withdrawn due to Project Athena. 10-0					
Northgate Sx3 Housing Benefits System	10	10	10	Final Report	Limited	1	6	1	12/06/2013
Automated Customer Contact (One Council Project)	10	10	10	Final Report	Substantial	1	5	0	18/03/2013
Abacus	10	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	15	15	Draft Report	Limited	1	6	0	03/12/2012
Wireless Networks	15	15	15	Final Report	Substantial	0	4	2	14/06/2013
Virtual Desktop Infrastructure (VDI)	20	0	0	Withdrawn from the plan					
Civic Centre IT Controls	20	13	13	Ongoing attendance at Project Meetings					
Follow up of previous IT audits	12	12	12	Ongoing					
Audit Plan 2013/14	0	1	1	Complete					
Computer Audit Total	122	76	76	*Plus 10 days delivered on V5 (BHP)					
Others									
Risk Management	10	10	10						
Consultation, Communication and Reporting	55	55	55						
Follow up	55	50	50						
Office Move	14	14	14						
2013/14 Planning (DMT meetings)	0	8	8						
Contingency	30	0	0						
	164	137	137						

BHP									
Housing Repairs and Maintenance	12	15	15	Final Report	Limited	4	13	0	21/06/2013
Housing Rents	8	8	8	Final Report	Substantial (unchanged)	1	1	3	28/11/2012
Major Works Contracts	20	20	20	Draft Report	CAM Estate Substantial	0	6	1	09/05/2013
					The Groves Substantial	0	5	1	09/05/2013
Procurement & Contracts (Non Major Works)	15	15	15	Final Report	Substantial	2	3	-	04/10/2012
Treasury Management	8	8	8	See IFC					
Internal Financial Controls	10	10	10	Final Report	Substantial (Deteriorated)	1	4	4	14/06/2013
Rent Arrears Management	15	15	15	Final Report	Substantial (Unchanged)	0	1	2	14/01/2013
Tenant Management Organisations – Watling Gardens	13	15	15	Final Report	Limited	7	8	1	30/10/2012
Management of Non-Brent Properties	15	15	15	Final Report	Limited	2	4	0	21/06/2013
TMO – South Kilburn TMO	0	4	4	Final Report	Non-Assurance work	2	8	0	08/11/2012
Risk Management	8	0	0	Removed from Plan due to changes in structure and procedures and partially replaced by KSTMO and additional time required for Repairs & Maintenance					
V5 System (Housing Rents)	10	10	10	Final Report	Limited (Unchanged)	1	10	1	28/11/2012
Consultation and Management Days	20	20	20	Throughout the year.					
BHP Total	154	155	155						
Total	1200	1160	1160						

Delivery Status	
Total days in the plan	1200 days
Number of days delivered to date	1160 days
% of days delivered to date	97%
Days to be delivered (Work in Progress)	0
Total number of reports to be issued (excluding follow up reports and Committee reports)	72*
Number of reports issued to date	72
% of reports issued to date	100%
*Excludes Audit Committee Reports, Follow Up reports Unused 40 days relate to IT audits which were unable to undertake due to systems changes and move to Civic Centre	

- 3.4. Assurance ratings are used to assess the strength of financial and operational controls and the extent to which they are being applied. For 2012/13 there has been a significant improvement in the balance between substantial and limited assurance ratings as set out below:

	Full 	Substantial 	Limited 	None 
2011/12	-	42% (22)	50% (26)	8% (4)
2012/13	4% (2)	67% (32)	27% (13)	2% (1)

Fraud

- 3.5. The Investigation Team continue to deal with a large number of referrals, some 1,000 across four main fraud types. The majority, 66%, of referrals relate to housing benefit fraud, with social housing fraud being the second highest at 22%. Internal fraud enquiries account for approximately 4% of the caseload, although due to complexity, often involve significant resource input.
- 3.6. A detailed report on activity is attached at appendix 2.

Risk

- 3.7. The audit team continues to work with the Corporate Management Team, assistant directors and heads of service to develop and embed the risk management process.

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 & Investigation, Room 1, Town Hall Annexe.
Telephone – 020 8937 1260

Mick Bowden
Deputy Director of Finance and Corporate Services



**Internal Audit
Year End Progress Report 2012/13
London Borough of Brent
June 2013**

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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">• Appointment of Consultant and Non Comensura Temporary/Interim Staff• Oyster Card• Council Tax• National Non-Domestic Rates• Direct Payments & Personal Budgets• Housing and Council Tax Benefits• Cash and Banking• Home Care• Capital Projects• Property Disposal (Sale of Council Properties)• Northgate SX3 Housing Benefits System• Wireless Network• Furness School• St Mary's CE School• St Joseph's Junior School• St Joseph's Infants School• St Mary Magdalen• College Green• Stonebridge School• St Gregory's Secondary School

- The Village School
- Fawood Children Centre
- Internal Financial Control (BHP)

One Council Project**One Oracle (Formerly Project Athena)**

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. The go live date for this project was initially set in August 2013. However this has now been delayed to November 2013. The Audit Managers have attended the Finance Implementation Team (FIT) meeting for the first time in early December 2012 and they have requested to be invited to future 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.

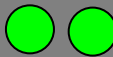



Cash Management in new Civic Centre

The Audit Managers have met with the Head of Financial Service Centre (FSC) and the Accounting to Reporting Team Leader to discuss the proposed cash management arrangements in new Civic Centre. They will continue to liaise with the Head of FSC during the year and an audit will be scheduled in for later this year.

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% (2)	67% (32)	27% (13)	2% (1)

Direction of Travel

	Improved →	Unchanged ↔	Deteriorated ←
2010/11	5	4	-
2011/12	5	4	2
2012/13	3	4	3

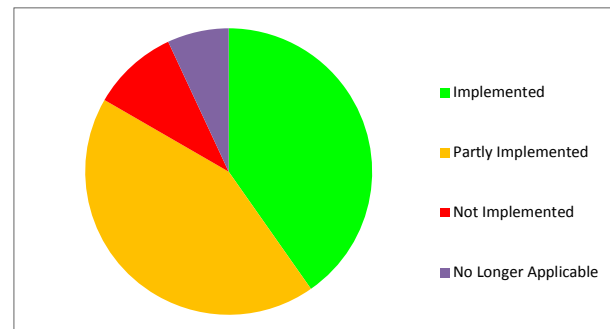
For the Committee’s reference, the definitions of the assurance opinions and direction of travel assessment are included at Appendix A.

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, 90% 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, 96% had either been fully or partly implemented.

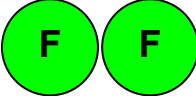
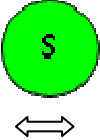

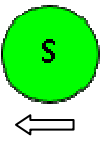



Implementation of Recommendations













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
Cash and Banking	
Council Tax	
NNDR	
Housing and Council Tax Benefits	
Capital Projects	
Property Disposal (Sale of Council Properties)	
Wireless Network	

Audit	Assurance Opinion and Direction of Travel
SCHOOLS	
Furness School	
St Mary's CE School	
St Joseph's Junior School	
St Joseph's Infants School	
St Mary Magdalen	
College Green	
St Gregory's Secondary School	
The Village School	
Fawood Children Centre	

Audit	Assurance Opinion and Direction of Travel
BHP	
Internal Financial Control	

LIMITED ASSURANCE REPORTS – General Audits

For all Limited Assurance reports, we have included a brief rationale, together with details of any **priority 1** recommendations raised, including the agreed actions to be taken and deadlines for implementation. These are the key audits and recommendations which the Committee should be focusing on from a risk perspective. The only exception is for any BHP reports, details of these have been reported separately to the BHP Audit & Finance Sub-Committee.

Appointment of Consultant and Non Comensura Temporary/Interim Staff

Overall, we have identified significant weaknesses in the system of control surrounding the appointment of consultants and non Comensura temporary/interim staff. Significant expenditure is being incurred in this area, with over £12.3m being charged in the accounts to the subjective code for Consultants (H501) and over £7.3m to Agency Staff (A601) over the period 1 April 2011 to 28 February 2013. Achieving value for money must, therefore, be a key objective. In addition, there are key compliance requirements, primarily in relation to HMRC. The weaknesses identified could impact on both these areas.

A key weakness is the lack of central co-ordination, management and oversight of the appointment of consultants and temporary/interim staff. Linked to this, policies and procedural guidance are limited.

We acknowledge that a paper was presented to the Corporate Management Team in September 2012 which included recommendations for improving and streamlining the current management process for non-permanent staff. However, these have yet to be taken forward and our recommendations should be implemented and embedded as part of the new process being put in place.

Whilst we have raised a number of recommendations for management to take forward, it should be noted that we are unable to provide expert technical advice concerning HMRC requirements. It is also an area in which the public sector, both central and local government, has been the subject of media attention, with various adverse publicity concerning the use of personal service companies and self employment as a means of reducing cost to the organisations concerned and the tax liability of individual contractors. Advice has been obtained from the Council's specialist tax advisors as to the liabilities concerning the use of personal service companies. We would recommend that the Council obtains additional expert advice as part of implementing the recommendations raised and making any other changes to the arrangements in place.

Six priority 1 and three priority 2 recommendations were raised.



Recommendation	Management Response / Responsibility / Deadline for Implementation
<p>The Council should develop a robust policy, procedures, and guidance documentation in respect of the appointment of non permanent staff. In addition, the guidance currently posted on the Council's Intranet in</p>	<p>Agreed. People and Development will put in place a new robust policy and the points raised in the rationale will be addressed in the new policy.</p>

Recommendation	Management Response / Responsibility / Deadline for Implementation
<p>respect of the exception to the requirement to seek quotes for appointments through an agency should be reviewed.</p>	<p>Interim Contract Manager September 2013</p>
<p>The need to complete the Non-Permanent Recruitment Business Case form and having this approved by the authorised officer should be formally reiterated to staff.</p> <p>The delegated approvers of the purchase orders relating to consultants or non-permanent appointments should confirm that the approved business case is in place for the relevant appointment before approving the purchase order.</p> <p>In addition, the business case form should be revised to capture the following information:</p> <ul style="list-style-type: none"> • What steps have been taken to determine whether the required skills are available internally; • Where the required skills are not available, an indication of if there is a need to build and develop such skills within the Council in the long run or whether the requirement is temporary; • If the required skills are required to be developed in house, what plan is in place to achieve this, as opposed to continuously relying on the external consultants; and • Where the business case relates to an extension, details of why the appointment should continue as opposed to putting in place a permanent provision and what actions are taken to provide alternative permanent solutions. <p>In addition, business cases relating to engagements that fall outside of the Council's corporate Agency contract should be subject to approval by People and Development.</p>	<p>Agreed. People and Development will take the lead in implementing this recommendation.</p> <p>Interim Contract Manager End June 2013</p>
<p>The business case should only be approved where evidence of compliance with the procurement rules is provided. The authorised officers who are responsible for approving the business cases should be reminded of this requirement.</p> <p>Where it is not possible to obtain three quotes for appointments costing</p>	<p>Agreed. The requirement to comply with the procurement rules will be emphasised in the new policy and the People and Development will put in place a mechanism to help ensure that the procurement rules are adhered to.</p>

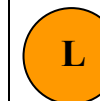
Recommendation	Management Response / Responsibility / Deadline for Implementation
<p>more than £20,000, a waiver should be sought from the Director of Finance.</p> <p>In addition, staff should be reminded of the need to complete the business case form fully with all required information as indicated on the form. The new Non-Permanent Recruitment Business Case should be amended to capture the evidence of quotes.</p> <p>Where the appointment is to be extended, the business case for the extension should indicate the details of the previous appointment(s) including their duration and total spend to date.</p> <p>The officer submitting the business case and the senior manager approving these should ensure that the duration of the appointment and the estimated total cost of the appointment in each business case are as accurate as possible and appointment should not be split into multiple requests to bring the estimated cost of each request below £20,000.</p> <p>Where the appointment decision is made by a body or officer external to the Council, assurance in respect of the procurement process followed should be sought and evidence of confirmation retained.</p>	<p>Interim Contract Manager September 2013</p>
<p>Recruiting managers should be formally reminded of the need to put in place a contract for all consultants and temporary/interim staff appointments, except where the Council's approved agency is used.</p> <p>Where a contract is between the limited company and the Council, the Council should ensure that payments relating to the contract are paid to the limited company.</p>	<p>Agreed. People and Development will develop a standard contract in consultation with Legal.</p> <p>Interim Contract Manager September 2013</p>
<p>A cross Council review of payments to individuals across all subjective codes should be undertaken. As part of the review, compliance with HMRC requirements should be checked, as well as confirming that any self-employed individuals being paid through payroll for the purposes of tax and NIC have been appropriately administered so as not to give them employment rights.</p> <p>If management consider it not practical to check all cases, a sampling method, including the financial thresholds and any other factors should be defined by the Council's management in consultation with the</p>	<p>Agreed.</p> <p>Senior Exchequer Officer will liaise with the Head of Financial Management to flag up limited companies and self employed individuals at the point of setting up a supplier on Oracle as part of the One Oracle project.</p> <p>When HR have their self employed individuals register in place, this will be used to carry out sample checks. In the meantime, a sample will be selected from the payments report to carry out the</p>

Recommendation	Management Response / Responsibility / Deadline for Implementation
<p>Exchequer Service.</p> <p>In addition, the Exchequer Service should follow up the incorrect assessment which had not been reported to HMRC and take appropriate corrective actions.</p>	<p>check. This will also assist in identifying numbers of cases and analysing the trend to identify which service areas regularly appoint self employed individuals. When we have targeted the right employees we can ask them to complete the e-learning module which would ensure their understanding of status requirements to be focused on, as well as directing them to the guidance on the Exchequer site on both the Intranet and Extranet. Whilst it would not be possible for us to check every Employment Status Questionnaire in the Council, if employees are trained correctly, and know where to obtain the latest Questionnaire and guidance, then this should improve our compliance.</p> <p>In addition to the above, the Senior Exchequer Officer will draft a one page Newsletter to address status issues such as paying non-registered companies, i.e. payee titles not ending with Limited, LLP or Plc, and the completion of Employment Status Questionnaires. We will also need to highlight the potential issue about gaining of Employee Rights in cases of individuals being put through the Payroll. The plan will be to also address issues of Financial Regulation, e.g. highlighting that invoices should have a clear service description on them (or if this could at least be entered on Oracle in the comments column if it is not clear on the invoice). We will try again with Communications for this to be circulated to relevant employees (e.g. PO Authorisers).</p> <p>The detail of the exception has been provided by the Internal Audit and this will be followed up as appropriate.</p> <p>Senior Exchequer Officer June 2013</p>
<p>A central register of non permanent appointments should be developed and maintained.</p> <p>In addition, the information needs of management should be defined in respect of consultants and off payroll temporary/interim staff.</p> <p>Once these have been defined, management information should be produced and reviewed centrally on a periodic basis.</p>	<p>Agreed. A central register will be implemented and the management information needs will be determined by the Interim Contract Manager.</p> <p>Interim Contract Manager</p>

Recommendation	Management Response / Responsibility / Deadline for Implementation
As part of the review, compliance in respect of the completion and approval of business cases, and compliance with the Council's requirements and statutory rules and regulations should be assessed.	September 2013

Oyster Card

The key issues identified relate to communication of the Council-wide Oyster Card policy to all Council staff; completion of the certification of usage documents; full completion of the correct usage logs for Individual and Team Oyster Cards; registration of Oyster Cards with Transport for London; completion of full reconciliations between journeys logged in the usage log and those logged on the Oyster Cards; and Consistency and completeness of management information.



Six priority 1 and six priority 2 recommendations were raised.

Recommendation	Management Response / Responsibility / Deadline for Implementation
<p>Staff should be made aware of the procedure document so that all staff understand their respective responsibilities when using and administering the cards.</p> <p>In addition to this, the procedure document should be reviewed regularly.</p>	<p>Agreed.</p> <p>With the move to the Civic Centre, Business Support is due to take over the central administration of Oyster Cards. The Head of Financial Management, in consultation with the Senior Exchequer Officer, is in discussions with the Head of Integrated Business Support to determine how Oyster cards administration can be centralised in Civic Centre and how the process will work for those based in the Civic Centre, as well as those that are stationed outside the Civic Centre.</p> <p>It should also be noted that Oracle upgrade is planned which will include all the expenses including GPC cards which is one of the methods used to top up Oyster cards. We take the view that present process and procedures will have to be taken in to account and built in to Oracle application. We will have a better understanding of how the process will shape up and review the whole process taking recommendations you have outlined once a consultation meeting is held between the Senior Exchequer Officer, Head of Financial</p>
<p>Staff should complete the Certification of Usage documents prior to using any of the corporate Oyster cards to confirm acknowledgement of their responsibilities when using the cards. These forms should be completed by staff for both the Individual and Team Oyster cards.</p>	
<p>All staff with an individual Oyster card assigned to them should complete an Individual Oyster card usage log.</p> <p>All Individual Oyster card usage logs should include the following information:</p> <ul style="list-style-type: none"> • Date; • Reason; • Destination; • Mode of Transport; • Cost; and • Balance. <p>In addition, all team Oyster card usage logs should include the following information:</p> <ul style="list-style-type: none"> • Date; • User; • Reason; • Destination; 	

Recommendation	Management Response / Responsibility / Deadline for Implementation
<ul style="list-style-type: none"> • Transport method; • Signed out by; • Authorisation; • Signed in by; • Date of sign in; and • Balance on the card. <p>The information recorded should contain sufficient level of details to facilitate effective monitoring of usage by the card administrators.</p>	<p>Management, and the Head of Integrated Business Support. Your recommendations deal with enforcing the process and procedures which have been posted on the intranet, we will also be including a process for consultants.</p> <p>Exact actions to be taken against each recommendation arising from the Internal Audit work will be agreed and an action plan will be put in place following the consultation meeting.</p>
<p>All corporate Oyster cards should be registered with TFL.</p> <p>In addition, the journey history function on the TFL website should be utilised on a regular basis for all corporate Oyster cards by the card Administrators to monitor the journeys made.</p>	<p>Senior Exchequer Officer</p>
<p>In line with the Procedures document, a full reconciliation should be carried out between the journeys recorded on the card as per the TFL website and those recorded on the log book when a top up takes place.</p> <p>The reconciliations should be fully documented and signed off by the administrator as evidence of completion.</p> <p>The reconciliation should be reviewed and signed off by a manager.</p> <p>Where management determines that the above process is not practical or efficient, management should review the Procedures document and refine the reconciliation process. One option may be to set parameters such as the amount spent in a given period which trigger the requirement to complete a full reconciliation.</p>	<p>Head of Financial Management</p> <p>Head of Integrated Business Support</p> <p>Action Plan to be put in place by August 2013</p>
<p>Oyster Card Administrators should code top-up payments, refundable deposits and year-end balances as per the procedure document.</p> <p>In addition to this, the current arrangements in respect of recording of corporate Oyster card transactions should be reviewed to determine whether they continue to meet the information needs of the Council. As part of the review, a decision should be made on whether the expense claims relating to personal (non corporate) Oyster cards should continue to be coded to the E306 subjective code or a separate code should be set up to distinguish the two.</p>	

Home Care



The Council’s annual budget for home support provision is approximately £10m which provides for approximately 1,200 clients. The Council entered into a four year framework agreement for the provision of home support services in September 2010. The framework agreement was established following the collaborative procurement exercise run through the West London Alliance Joint Procurement Unit and lead by the London Borough of Hammersmith and Fulham. There are 24 providers within the framework and the Council is served by seven of those providers. In addition to these providers, the Council also use seven other providers who are outside of the framework where the needs cannot be met through the framework.

With the initial framework agreement expiring in 2014, the Council has been appointed to lead on the new framework and the initial preparation work is currently on going. The purpose of this work was to identify control weaknesses in the current arrangement so that management can address these as part of the new framework arrangement.

The key weaknesses identified were in relation to Access Agreements between the Council and both WLA & non-WLA Framework contractors (ensuring all WLA Framework contractors have a signed Access Agreement held within the Legal department, and engaging in signed Terms of Service with all non-WLA contractors). Furthermore, the appointment of non-WLA contractors had not been completed in line with the Financial Regulations.

Additionally, we identified weaknesses in the monitoring arrangements in place with regards to contractor performance. From the Council perspective, we observed that spot checks completed by the Integrated Commissioning team identified that checks were only completed at the main offices of each contractor and did not include visits to client sites.

We identified several weaknesses with regards to the guidance provided in the WLA Framework which we have highlighted in this report, for the Council to consider when they become the Lead Borough of the WLA in 2014.

Three priority 1, three priority 2, and two priority 3 recommendations were raised.

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Recommendation	Management Response / Responsibility / Deadline for Implementation
<p>The Council should ensure they are engaged in signed Access Agreements with all WLA Providers providing services to Clients.</p>	<p>Agreed. We have arranged for an updated / new Access Agreement with London Care to be completed.</p> <p>S Forbes - Head of Service Integrated Commissioning End of June 2013</p>

Recommendation	Management Response / Responsibility / Deadline for Implementation
<p>Formal Terms of Service should be drawn up and agreed between the Council and all non-WLA Framework contractors. Terms of Service should include obligations of both parties during their on-going service delivery arrangements.</p> <p>All appointments of non-WLA contractors should be completed in line with the requirements of the Financial Regulations. Formal waivers should be sought from the Director of Finance in instances where the Regulations cannot be adhered to.</p>	<p>Agreed.</p> <p>We are drafting 'spot purchase' agreements for a range of services including home care, day care etc. where purchasing is on a 'case by case' / individual basis.</p> <p>It is our understanding that an exemption from the Contracting Standing Orders was provided for Adult Social Care some time in the past to enable us to undertake spot purchasing / case by case purchasing where no commitment exists beyond the individual Purchase Order for the individual care package / number of hours purchased. We will liaise with Finance and Legal colleagues on this matter to ascertain whether this exemption exists.</p> <p>S Forbes - Head of Service Integrated Commissioning End of July 2013</p>
<p>All WLA members should follow the same criteria when completing their monitoring spot checks of service providers.</p> <p>In the completion of spot checks, Authorities should ensure that checks are inclusive of all WLA member Councils.</p> <p>Spot checks should include visits to clients to assess performance of the provider, in addition to the current office based checks that are completed.</p> <p>Regularised performance monitoring arrangements should be detailed within the WLA Framework Agreement.</p> <p>N.B. We have raised this in the knowledge that Brent will be the next Lead Borough of the WLA, therefore will be in a position to enforce this change.</p>	<p>Agreed.</p> <p>Although within the WLA a protocol was agreed for the monitoring and management of the collective group of providers under the existing Framework, officers in Brent have limited scope to require officers from other authorities to adhere to the original protocol. Over the term of the existing Framework WLA boroughs have by default moved to focus their monitoring activities on those providers which they purchase services from. Brent is currently leading on the procurement of the new Home Support Framework which will go live in February 2014. The lessons relating to the approach to managing the collective market place will be incorporated into the new Framework and we would seek to agree with other WLA Boroughs as the lead procuring authority a more robust protocol and commitment to a monitoring process.</p> <p>S Forbes - Head of Service Integrated Commissioning March 2014</p>



Direct Payments & Personal Budgets

Personal and individual budgets are designed to provide individuals who currently receive social care and associated services with greater choice and control over their own support arrangements. A personal budget is the amount of money that a local authority allocates to meet the individual's needs. It can take the form of a cash direct payment, services commissioned by the local authority, a broker who manages the budget on behalf of the individual, or a combination of both. The budget can be spent on any product or service that achieves the outcomes specified in the care plan. It can also be spent on traditional social services (e.g. placement in a care home).

Direct Payments are fundamental to the achievement of the government's aim of increasing people's independence, choice, and control by providing personalised alternatives to the social care services offered by a local authority with social services responsibilities. The Health and Social Care Act 2001 made it a duty, in certain circumstances, for local authorities to make Direct Payments available to all eligible social care users. A direct payment is a method of making cash payments directly to the service user (or their representative) so that they can manage their personal or individual budget themselves by procuring their own support. Individuals must give their consent to receiving direct payments and be able to manage them. Individuals are required to account for the money they spend and certain records must be retained to enable monitoring to be undertaken.

Local authorities have a responsibility to monitor the individuals spending in order to ensure that the individual's needs are being met.

Number of service users in Receipt of Direct Payments	454
Number of service users on Prepaid cards (non-managed)	332
Number of service users on Prepaid cards (managed)	83
Number of service users using bank accounts only	50

The key areas of weakness were follows: non-compliance with procedures; documents not always uploaded onto Frameworki (e.g.: Supported Self-Assessment Questionnaires, approval of purchasing of care by Quality Assurance Meeting, Direct Payments Contract Agreements, Pre-Paid Card Agreements, Third Party Agreements for managed account); inaccuracies in the amount of payments being made to some service users / carers; and monitoring of financial returns for service users not on pre-paid cards not being regularly undertaken

Ten priority 1, six Priority 2 and one priority 3 recommendations were raised as a result of this audit.

Recommendation	Management Response / Responsibility / Deadline for Implementation
<p>All relevant staff should be formally reminded of the need to adhere to Direct payments procedures, including the following: the logging details of all supported self-assessment questionnaires (SSAQ) onto Frameworki; for Ability to Manage forms to be signed by the social worker and scanned onto Frameworki; for referrals made to Penderels to be scanned onto Frameworki; for Direct Payments Funding Approval forms to be authorised by the Funding Panel and scanned onto Frameworki.</p>	<p>Agreed. Team managers will be reminded of this issues highlighted in this recommendation and will be told to ensure that all relevant staff are aware of the requirements and understand how to meet them.</p> <p>Charlie Macnally – Interim Head of Service Support Planning / 14th June 2013.</p>
<p>Evidence of the approval of purchasing of care by the Quality Assurance Meeting (QAM) should be available in all cases.</p>	<p>Agreed. Where cases come to QAM this will be recorded on Frameworki. However low cost packages of care do not come to QAM.</p> <p>Charlie Macnally – Interim Head of Service Support Planning / Immediate.</p>
<p>All relevant staff should be formally reminded of the following: Contract agreement between the service user and the Council should be in place for all service users/carers and scanned onto Frameworki; Contract agreements to be signed by an officer within Brent Care Management Team and scanned onto Frameworki; and Contract agreement to be signed in the appropriate section.</p>	<p>Agreed. Has been actioned by Client Affairs Team.</p> <p>Raksha Pindora - Team Manager (Client Affairs Team)/ Implemented.</p>
<p>Management should investigate the reasons for the errors made in the calculation of direct payments for the service users indicated in the body of the report. Where any over or under payments have been made because of errors in the calculation of Direct payments or personal budgets entitlements appropriate action should be taken to recover any overpayments or reimburse service users with any underpayments. The Direct Payments calculations should be checked for accuracy on at least a quarterly basis and especially when there is a change in the number of hours assessed for the service user/carer</p>	<p>Agreed.</p> <p>All Team Managers – Immediate.</p>
<p>Management should ensure that the following procedures in respect of pre-paid cards are being complied with: All Pre-paid card agreements signed by service users / carers should be scanned onto Frameworki; All Pre-paid card agreements should be signed by a Council representative; Signed instructions should be obtained from the service user/carer to</p>	<p>Agreed. Has been actioned by Client Affairs Team.</p> <p>Raksha Pindora - Team Manager (Client Affairs Team)/ Implemented</p>

transfer balances from their direct payment bank account to pre-paid card account.	
Management should formally remind all relevant officers of the following: that all supporting documentation must be scanned onto Frameworki; Details of all action taken, for example results of care reviews being communicated to CAT; action taken where it is identified that Direct Payments is not being used for the intended purpose, should be recorded on case notes. Management should implement protocols with regards to the organisation of records and information of Frameworki. This should include a file plan and classification scheme, folder management and indexing within the system.	<p>Agreed.</p> <p>Raksha Pindora / Team Manager(Client Affairs Team)/ Implemented</p> <p>David Hardman - Project Team working on new Health and Social Care Model there will be an IT lead. / October 2015</p>
All social workers and other relevant officers should be reminded that signed third party agreement for accounts managed by Penderels should be scanned onto Frameworki.	<p>Agreed. Has been actioned by Client Affairs Team.</p> <p>Raksha Pindora / Team Manager (Client Affairs Team)/ Implemented.</p>
Management should ensure that appropriate action is taken and support provided to service users or carers where care reviews indicate that they are having difficulty in managing their direct payment or personal budgets effectively.	<p>Agreed. This is being monitored by the Client Affairs Team</p> <p>Raksha Pindora / Team Manager (Client Affairs Team)/ Implemented</p>
For service users /carers the financial monitoring of service users currently on Pre-paid Cards should be undertaken on the basis of risk as opposed to the current arrangements of reviewing all expenditure incurred and all Pre-paid card users. For service users/carers not yet on Pre-paid Cards that their accounts should be properly monitored on a quarterly basis and be fully reconciled prior to them being transferred onto pre-paid cards. Where a service user or carer fails to submit financial returns within the specified timeframe and in particular where the service user has failed to respond to reminders, action should be taken to enforce the terms and conditions of the Direct Payment agreement	<p>Agreed. All of the recommendations have been actioned through exception monitoring by the Client Affairs Team.</p> <p>Raksha Pindora – Team Manager (Client Affairs Team) / Implemented.</p>

Management should introduce a quality assurance process whereby they carry out regular spot checks on a random sample of Direct Payment cases in order to check compliance with Direct Payment procedures. Where instances of non-compliance are identified, these should be followed-up with the appropriate officer, identifying any further training needs where relevant.

Agreed.

Dave Hardman – Transformation Project Manager / 27th July 2013

Northgate SX3 Application

The Northgate SX3 application is an integrated system that supports amongst others, the Housing Benefits system. This system manages housing benefits payment accounts within the Borough of Brent. The system administration functions are provided by Capita via the Central Support Team (CST). Capita provides the helpdesk function for all issues and queries, the technical team is responsible for application support (faults, bugs etc.), and performs daily batch processes.

Control weaknesses were identified in relation to the lack of adequate password settings; the lack of a formally documented user access management procedure; the absence of a function to block accounts with excessive security violations; the absence of a process to periodically report and review the roles and user accounts on the system; the lack of a process to report and review the business object licenses, inadequate mandatory input controls on the system; and the lack of a process to review and update the interface documentation.

One priority 1, six priority 2, and one priority 3 recommendations were raised.



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Recommendation	Management Response / Responsibility / Deadline for Implementation
<p>The Northgate HB SX3 application should be configured to enforce the following password controls for the RB_USER profiles:</p> <ul style="list-style-type: none"> • A minimum password length of 8 characters; • Alpha and numeric characters to enforce the use of complex passwords; and <p>A password history to prevent passwords being recycled.</p>	<p>The RB user profile has been changed to ensure that the minimum length is 8 characters, it forces the use of alpha numeric characters and the password history has been set to 99 to prevent passwords being recycled. Although these settings were previously not set, the password was of a “hard” nature. In addition to the RB user account, all control staff must log into the secure environment using two factor authentication / juniper tokens.</p> <p>Richard Comery – CST Capita Complete</p>

LIMITED/NIL ASSURANCE REPORTS – School

Stonebridge School

11 priority 1 and eight priority 2 were raised as a result of this audit. All recommendations were agreed by the School



LIMITED/NIL ASSURANCE REPORTS – BHP

Responsive Repairs & Maintenance

Responsive Repairs & Maintenance (BHP)



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	
Housing and Council Tax Benefits	-	1	-	1	3	-	-	-	-	1	4	-	1	
Oakington Manor School	2	4	-	4	1	-	-	-	-	6	5	-	-	
Malorees Infants	6	7	1	5	9	4	-	-	-	11	16	5	-	*Retaining evidence of the right to work in the UK.
Council Tax	-	1	-	1	3	2	-	-	-	1	4	2	3	
NNDR	-	1	-	2	1	-	-	-	-	2	2	-	1	
Cash & Banking	1	-	-	7	-	-	-	-	-	8	-	-	-	
	9	14	1	20	17	6	-	-	-	29	31	7	5	

* The Head teacher had taken steps to introduce a file control sheet to ensure that all key documents including evidence of the right to work in the UK. However exceptions were still found and the recommendation was assessed as not implemented as a result of this.

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
Miyako Graham – Senior Audit Manager	 020 8937 1493
Shahab Hussein – Computer Audit Sector Manager	

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Final Internal Audit Progress Report – Appendix 2

Anti-Fraud

1. Introduction

- 1.1. Fraud typologies can be split between internal i.e. committed by staff against the authority, and external i.e. committed by third parties against the authority. The latter can be further split into two major divisions: Housing Benefit and Housing Tenancy Fraud. Other types of external fraud include false applications for social services support (direct payments), blue badge abuse and single person discounts. Internal investigations also include disciplinary matters which are not necessarily fraudulent but represent a serious breach of financial regulations or the code of conduct.
- 1.2. On occasion frauds fall into more than one category, i.e. an officer working and claiming benefit; a housing tenant subletting their property and claiming benefit; false declaration of income for the purpose of claiming benefit and a renovation grant

2. Housing Benefit Fraud

- 2.1. Members will be aware of the DWP plans to introduce a Universal Credit (UC) to replace a range of benefits, including housing benefit, for new applications from October 2013, transitioning all existing claims by April 2017. The UC will be assessed and paid by the DWP. Council tax benefit is excluded from UC with separate schemes established and administered by each local authority.
- 2.2. These changes include the establishment of a Single Fraud Investigation Service (SFIS) which will have responsibility for the investigation of all Universal Credit fraud. How that service is to be delivered is yet to be determined although it is likely to reflect DWP priorities, policy and procedure. The DWP are piloting a number of approaches to SFIS prior to the introduction of UC where DWP, HMRC and Local Authority staff will work together with the intention of investigating the current disparate benefits, i.e. HB, Income Support, Tax Credit as a single investigation. How this will work in practice is yet to be determined.
- 2.3. There will be major implications for the council's housing benefit and council tax benefit delivery and fraud investigation functions. Once definitive plans are set out by the DWP, they will be the subject of a further report to this committee.
- 2.4. Until such time as SFIS is fully funded and resourced by the DWP, the council will continue to be responsible for the investigation of fraud in HB. The team continues to receive a very high volume of fraud referrals and, as with previous years, a high percentage of cases have to be screened out without investigation. 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.

2.5. The sanctions available for HB fraud are: Overpayment recovery, a caution administered by the council, an administrative penalty and criminal prosecution. In recent years the Audit and Investigation team have prioritised high value fraud resulting in a higher proportion of prosecutions. These take longer to prepare than cautions and administrative penalties. This has resulted in fewer sanctions but higher value overpayments. Performance has also been affected by carrying three vacant investigator posts out of a total of five. Historical case load data and current performance is shown below:

HB Fraud	2008/09	2009/10	2010/11	2010/11	2012/13
Referrals	723	672	757	612	666
Closed	832	744	675	597	622
Screened Out	511	423	386	339	432
% dropped	61%	57%	57%	57%	69%
Investigated	321	321	290	258	190
Fraud Found	118	150	121	102	121
Hit Rate	37%	47%	42%	40%	64%
Caution	7	5	1	3	0
Admin Penalty	46	40	20	28	34
Prosecution	31	36	50	30	28
Total Sanctions	84	81	71	61	62
Summons Only	1	0	2	0	4
Overpayment Only	21	73	47	40	53

Table 1 – HB Fraud Caseload 2008 to 2013

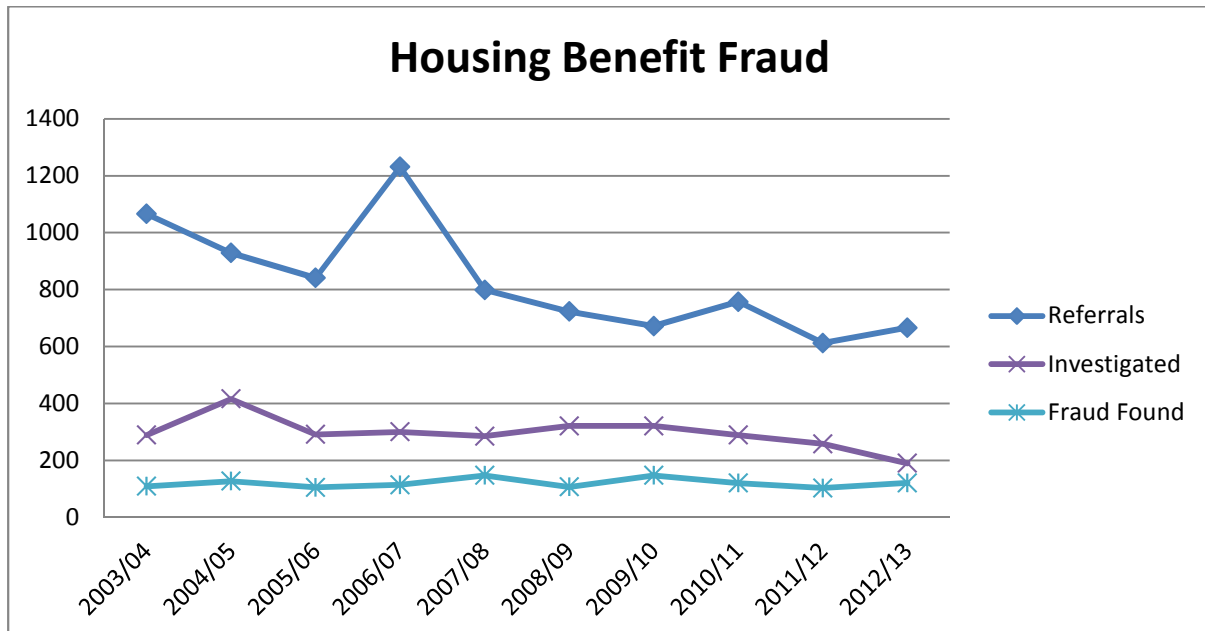


Chart 1 – HB Fraud Caseload 2003 to 2013

- 2.6. A key objective for the team over recent years has been to identify large scale fraud. This has, inevitably, resulted in a lower volume of cases being dealt with but a higher value of overpayment identification. Most HB claimants have other national benefits in payment such as job seekers allowance or income support and investigators will identify a range of overpaid benefits during enquiries. Overpayment figures are shown in table 2:

Fraudulent Overpayments by Benefit Type	08/09 £	09/10 £	10/11 £	11/12 £	12/13 £
Housing Benefit	849,505	1,332,014	1,660,613	1,267,041	1,598,371
Council Tax Benefit	80,535	183,266	201,615	168,032	187,746
Income Support, Job Seekers Allowance, DLA, Other	371,713	411,909	660,546	302,679	665,618
Total	1,319,932	1,927,189	2,522,774	1,737,752	2,451,735

Table 2 – Fraud overpayment by benefit type and year

3. Housing Tenancy Fraud

- 3.1. Tenancy 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. Over the past five years investigation work by A&I has resulted in the recovery of 189 properties. 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.
- 3.2. Caseload information is shown below.

Housing Fraud	2008/09	2009/10	2010/11	2011/12	2012/13
Referrals	82	111	120	189	206
Closed	55	82	166	185	227
Screened Out	3	9	10	13	5
Investigated	52	73	155	172	222
Fraud Found	21	26	37	48	59
Recovered Property	21	26	34	47	57
RTB Stop	1	0	0	1	0
Application refused		0	2	0	1
Property Size reduced					1

Table 3 – Housing Fraud Caseload 2008 to 2013

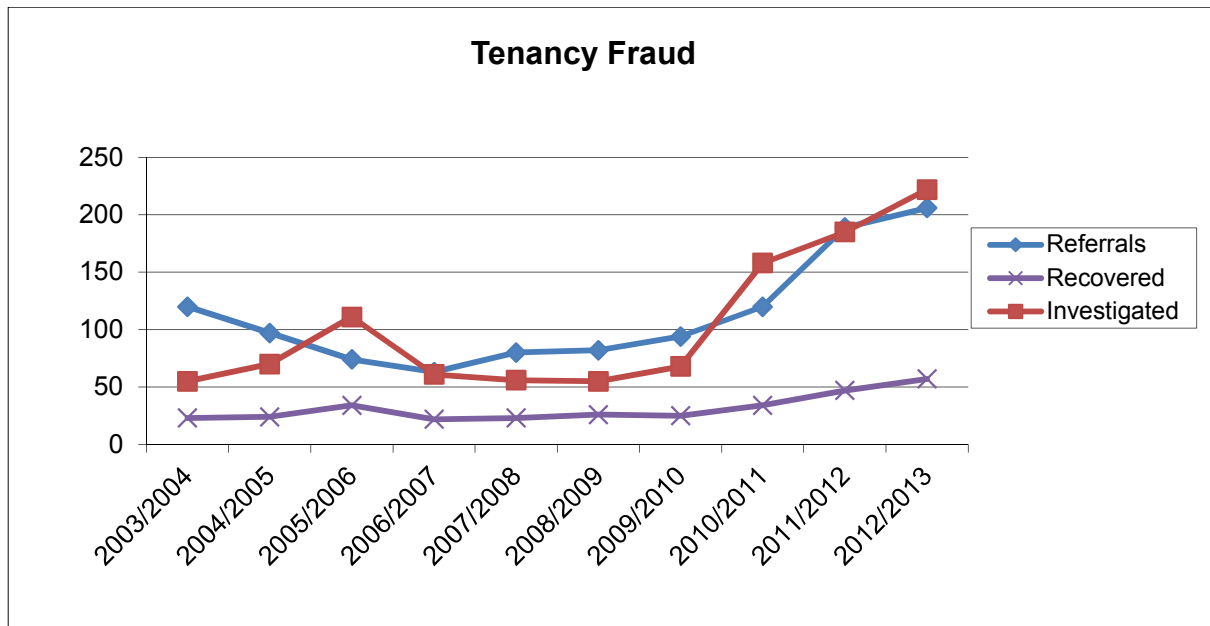


Chart 3 – Housing Fraud Caseload 2003 to 2013

- 3.3. Since 2010/11 the government has provided additional funding to encourage council's to work with housing associations to investigate sub-letting. The Audit and Investigation Team engaged with a number of housing associations in the borough and have set up service level agreements with nine housing associations in the borough. A&I officers investigate referrals on behalf of the housing association who then take appropriate recovery action. This is beneficial in that the council maintains nomination rights to any properties recovered. The funding has enabled the council to employ two additional staff in this area. Five of the properties recovered belong to housing associations.

4. Blue Badge Fraud

- 4.1. This abuse takes a number of forms. The lowest level is misuse of a badge by a family member when the badge holder is not present. This abuse is dealt with by the parking enforcement team and is not covered in this report. More serious offences such as persistent misuse, false applications for a badge, forged or counterfeit badges or misuse by a council officer are dealt with by Audit and Investigations. Given the materiality of this type of fraud, only limited resources can be applied.
- 4.2. There have been 28 new reactive referrals in 2012/13 within the more serious categories, such as persistent misuse, false applications for a badge, forged or counterfeit badges or misuse by a council officer. Misuse has been identified in 12 of 25 cases investigated. Most were dealt with by way of a warning letter from Older Peoples Services who issue the badges. There were two prosecutions and two cases where staff were involved. Both resigned prior to disciplinary proceedings being invoked.

Internal Fraud

- 4.3. Internal fraud refers to fraud committed by employees, agency staff 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.
- 4.4. Historic data and current year statistics are shown in the tables and charts below:

Internal	2008/09	2009/10	2010/11	2011/12	2012/13
Referrals	26	51	53	58	47
Closed	34	28	51	62	42
Screened Out	3	3	3	5	1
Investigated	31	25	48	57	41
Fraud / Irregularity	11	16	23	33	18
Dismiss / Resign	9	14	21	27	15
Warning	0	0	2	5	2

Table 4 – Internal Fraud Caseload 2008 to 2013

- 4.5. This year five staff were dismissed following disciplinary and a further 10 left during enquiries or prior to disciplinary proceedings. A further two received warnings and in one case, relating to a primary school, no action was taken. The nature of the irregularities is set out in table 5 below:

Internal	2012/13
Illegal working/Identity issues	4
Conflict of Interest	2
Blue Badge	2
Breach financial regulations	4
Nepotism/recruitment	1
Theft	1
False Claims for Benefit/Housing	2
Misuse of IT	2

Table 5 – Internal Fraud Cases 2013

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