



## Audit Committee

**Wednesday 19 March 2014 at 7.00 pm**

Boardroom - Brent Civic Centre, Engineers Way,  
Wembley, HA9 0FJ

### Membership:

#### Members

Councillors:

Ewart (Chair)  
Al-Ebadi  
Cummins  
Van Kalwala

#### first alternates

Councillors:

S Choudhary  
Ashraf  
Harrison

#### second alternates

Councillors:

Arnold  
Lorber  
Hector

**For further information contact:** Joe Kwateng, Democratic Services Officer

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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
<b>1    Declarations of personal and prejudicial interests</b>	
Members are invited to declare, at this stage of the meeting, any relevant financial or other interest in the items on this agenda.	
<b>2    Minutes of the previous meeting</b>	1 - 6
<b>3    Matters arising</b>	
<b>4    Deputations</b>	
<b>5    KPMG - Certification of grants and returns 2012/13</b>	7 - 16
This report summarises the results of the work on the certification of the Council's 2012/13 grant claims and returns fully undertaken by KPMG as appointed auditor.	
<b>6    KPMG - External Audit Plan 2013/14</b>	17 - 40
This document supplements KPMG's <i>Audit Fee Letter 2013/14</i> presented to the Committee in April 2013. It describes how KPMG will deliver their financial statements audit work for the London Borough of Brent ('the Authority') and the Brent Pension Fund ('the Pension Fund') and also sets out their approach to value for money (VFM) work for 2013/14.	
<b>7    Corporate Risk Register</b>	41 - 50
This report presents the council's current Corporate Risk Register following review by the Corporate Management Team (CMT).	
<b>Ward affected:</b>	<b>Contact Officer:</b> Conrad Hall, Chief Finance Officer
All Wards	Tel: 020 8937 6528 <a href="mailto:conrad.hall@brent.gov.uk">conrad.hall@brent.gov.uk</a>

## 8 Internal Audit Progress Report 2013/14

51 - 84

This report presents a summary of the work of Internal Audit and the Investigations Team from 1 April 2013 to 28 February 2014. The appendix provides further details of audit reports issued.

**Ward affected:** All Wards  
**Contact Officer:** Conrad Hall, Chief Finance Officer  
Tel: 020 8937 6528 conrad.hall@brent.gov.uk

## 9 Internal Audit Plan 2014/15

85 - 116

This report sets out the Draft Internal Audit Plan ("the Plan") for 2014/15 and the basis on which the plan has been formulated.

**Ward affected:** All Wards  
**Contact Officer:** Conrad Hall, Chief Finance Officer  
Tel: 020 8937 6528 conrad.hall@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 will be confirmed after the Council's Annual General Meeting (AGM) in June 2014.



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.

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## LONDON BOROUGH OF BRENT

### MINUTES OF THE AUDIT COMMITTEE Wednesday 8 January 2014 at 7.00 pm

PRESENT: Mr Ewart (Chair) and Councillors Al-Ebadi, Cummins and Hector (alternate for Councillor Van Kalwala).

Also present: Councillor Chohan.

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 25 September 2013 be approved as an accurate record of the meeting.

3. **Matters arising**

None.

4. **Deputations**

None.

5. **External Audit progress report**

The Committee received a report from KPMG, the Council's external auditors which set out a summary of work performed since the last meeting and work proposed to be carried out over the next quarter.

Phil Johnstone, Director of KPMG (external auditors) in providing a summary of work undertaken since the last meeting stated that KPMG had issued unqualified audit opinion, unqualified VFM conclusion, consistency conclusion on the Whole of Government Accounts (WGA), Audit Certificate and Annual Audit Letter. Members heard that the issuance of VFM conclusion meant that KPMG were satisfied that the Council had proper arrangements for securing financial resilience and challenging economy, efficiency and effectiveness. He continued that the Annual Audit Letter attached to the report provided more details as well as a recommendation relating to the audit of the WGA. He then set out an outline of

KPMG's proposed work over the next quarter which would focus on planning for the 2013/14 financial statements, preparing the 2013/14 Audit Plans for the Authority and its Pension Fund for presentation at the Audit Committee on 19 March 2014 and planning the interim accounts audit where the key financial controls would be reviewed.

In reference to The Audit Commission's latest research, "Tough Times 2013: Councils' Responses to Financial Challenges From 2010/11 to 2013/14", the Director confirmed that Brent Council was among the 63% of England's councils that demonstrated a high degree of financial resilience over the last three years and added to their reserves, despite a 20 per cent reduction in government funding and a number of other financial challenges. He however added that whilst Brent was financially well placed, it needed to take tough decisions to address future challenges and continue adapting in order to fulfil its statutory duties and meet the needs of local people.

Conrad Hall, Chief Finance Officer praised his team of officers for their efforts that led to the conclusions reached by the external auditor on the Council's arrangements for securing financial resilience. In respect of the external auditor's high priority recommendation, the Chief Finance Officer assured Members that the issues that gave rise to the slight delay in the submission of the WGA return would be addressed in closing the 2013/14 accounts.

A member raised a question about the severance payment made to the former Chief Executive and the former Director of Finance and the impact it had had on the Council's finances. Steve Lucas, KPMG Manager responded that following a review, KPMG concluded that no issue of serious concern arose from the payments for which Council needed to be challenged. He praised officers for the openness that prevailed in the discussions and review.

It was noted that details of these payments were disclosed in the Council's 2012/13 accounts.

In bringing the discussions to a close, David Ewart, Chair, noted the external auditor's issue of full certificates as set out in the report and that Brent was not in the group of local authorities facing serious financial difficulties. He endorsed the advice by the external auditors for the Council to be mindful of the challenges ahead and maintain its focus.

RESOLVED:

that the external audit progress report be noted.

## **6. 2013-14 Mid-year Treasury report**

Members received a report which provided a summary of the treasury management activity during the first half of 2013/14. The report indicated that none of the Prudential Indicators had been breached and that a prudent approach had been taken in relation to investment activity with priority being given to security and liquidity over yield.

Conrad Hall, Chief Finance Officer explained that Treasury Management was 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. Members heard that the Council had complied with Prudential Indicator Compliance and that there were no breaches to the Authorised Borrowing Limit or the Operational Boundary so far this year. Conrad Hall gave an update on funds received from Icelandic banks (Heritable and Glitnir Banks) adding that further distributions were expected although the exact timing was not known.

In the discussions that followed, Councillor Cummins enquired about the sums received from the Icelandic Banks including its application. The Chief Finance Officer explained that the sums received were shown in the accounts under 'outstanding debtors'. Its use and application were not generally determined.

RESOLVED:

that the report on 2013-14 Mid-Year treasury report be noted.

## **7. Treasury management strategy 2014-15**

Members considered a report which presented the draft Treasury Management Strategy for 2014/15, the final version of which would be included in the budget report to be approved by the Council on 3 March 2014. It was noted that this was an important report as it set the strategy performance that would be judged against in 2014-15.

Conrad Hall, Chief Finance Officer informed the Committee that the strategy which had been based on CIPFA code of practice would set the framework for Treasury Management activity in 2014/15 and would include current levels of borrowing and investments, interest rate outlook, approach to future borrowing and investments. He continued that the successful identification, monitoring and control of risk was central to the strategy in view of the substantial sums of money borrowed/invested and potentially large exposures to financial risks.

In response to a member's question about a possible rise in interest rates as predicted by financial commentators, the Chief Finance Officer stated that although he did not share the view that interest rates were likely to rise in the medium term, officers would monitor developments with the advice of Arlingclose Ltd, the Council's treasury management advisers. He drew members' attention to the need for officers and members with treasury management responsibilities to receive appropriate training. In response to a member's query, the Chief Finance Officer undertook to clarify a sentence in annexe B of the report (non-specified investments).

RESOLVED:

That the treasury management strategy 2014-15 be noted subject to a clarification in annexe B of the report (non-specified investments).

## 8. Internal Audit Progress Report 2013/14

The report from the Chief Finance Officer presented a summary of the work of Internal Audit and the Investigations Team from 1st April 2013 to 30th November 2013. The appendix provided further details of audit reports issued.

Simon Lane, Head of Audit and Investigations informed Members that as at 30/11/13, a total of 663 (53%) days had been delivered against the plan with plans in place to deliver additional days. He provided updates on work in the following areas;

**Framework i phase 1 purchasing (fostering and residential placement for children)**  
The team identified weaknesses as set out in the report which resulted in a limited assurance rating. However, management responded quickly to the findings and recommendations and have implemented improvements. Simon Lane indicated that a re-audit now would most likely result in a substantial assurance rating.

### **Carers' service hub**

Overall, major control weaknesses including performance management, data management, and marketing were identified. An action plan to address the weaknesses had been agreed to be in place by 31 January 2014 covering service specification, the development of robust performance management process, regular monitoring of the hub by the Board including updating carers' data.

**Soft box, a migration project to launch a single system to replace Appointeeship and Deputyship accounts.**

Overall, the key issues identified related to outstanding actions on the migration of information from legacy systems to Softbox, follow up of exceptions found on the Softbox, approval and review of direct debits. Recommendations made had been agreed by management.

### **Woodfield school**

Nine priority 1; nineteen priority 2 and one priority 3 recommendations were raised as a result of this audit, all of which were agreed for implementation by the School.

### **Fraud housing benefit**

High volume of fraud referrals were received which were screened out without investigation due to inadequate staffing level. Members queried whether additional resources would address this problem. Simon Lane pointed out that this was an issue across local authorities and that the new structure to be implemented within Audit and Investigations would help to address the high number of allegations which could not be investigated.

### **Housing Tenancy Fraud**

Members heard that since 2010/11, the government had provided additional funding to encourage Councils to detect and address sub-letting of housing stock. The funding had enabled the Council to increase property recoveries as shown in table 5 of the report. In response to a member's question about the source of allegations, Simon Lane responded that this was mainly via whistleblowing, gas safety checks and a recent data matching exercise with call credit.



#### Other fraud

Following proactive exercises, there were 5 prosecutions during the quarter for blue badge fraud. He drew members' attention to the statistics relating to internal fraud adding that 13 cases were investigated which resulted in 4 officer dismissals. He also gave an update on proceeds of crime act cases.

Simon Lane advised members about a key change in the CIPFA Code of Practice; the requirement to have an external, independent assessment of internal audit once every five years. These must be conducted by a suitably qualified independent assessor from outside the organisation. He added that a recommendation regarding proposals for this external assessment would be brought to a future meeting of this committee. Chair concurred.

In welcoming the report, the Chair added that where a service manager was not being helpful in addressing limited assurances, then the manager should be asked to attend a meeting of the Audit Committee to explain the situation to members. Such requests would need to be sanctioned by the Chief Finance Officer.

#### RESOLVED:

that the progress made in achieving the 2013/14 Internal Audit Plan and the review of fraud work be noted.

#### 9. **Any other urgent business**

None.

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

It was noted that the next meeting would take place on 19 March 2014.

The meeting closed at 8.40 pm

D Ewart  
Chair

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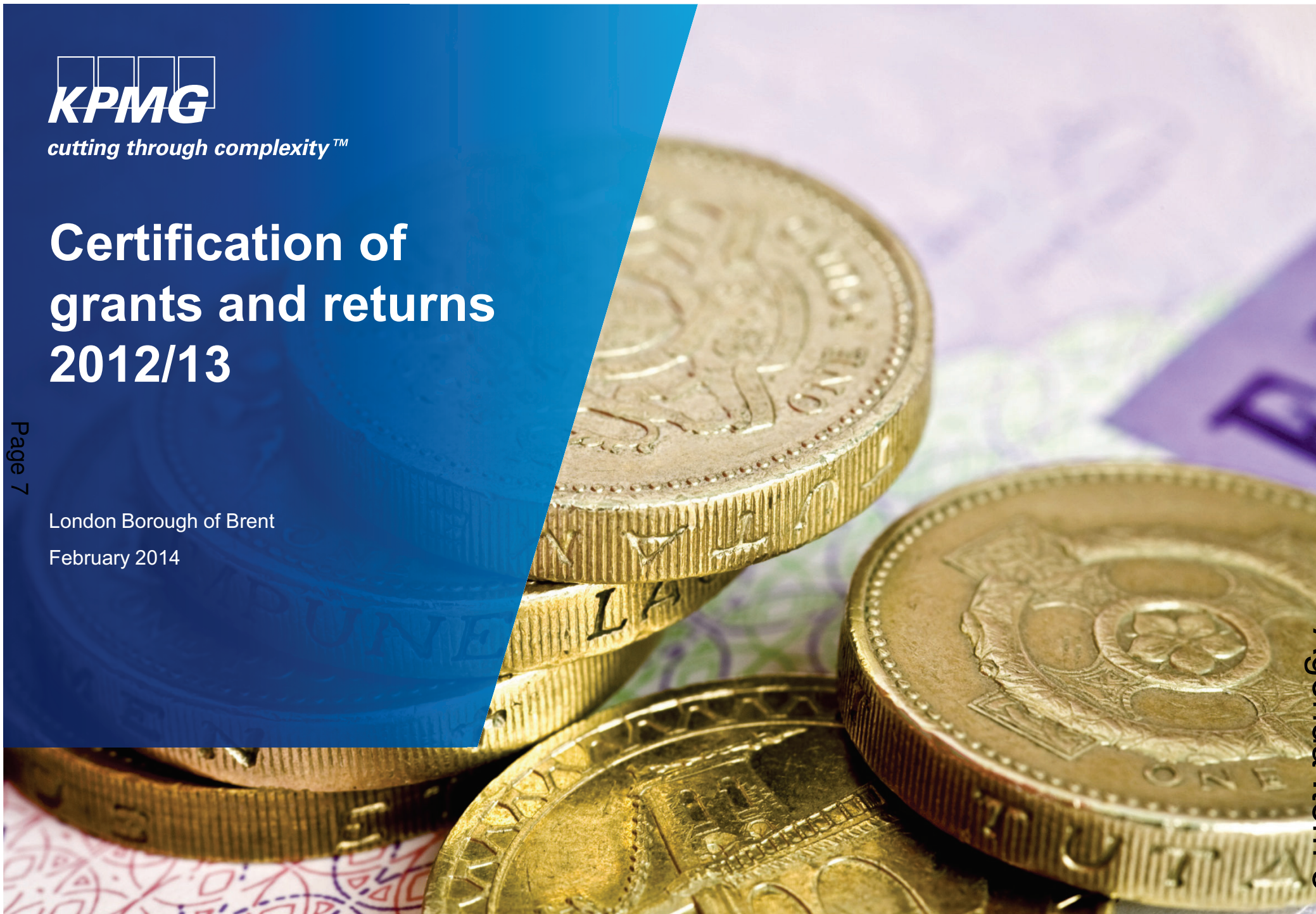
# Certification of grants and returns 2012/13

Page 7

London Borough of Brent

February 2014

Agenda Item 5



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in connection with this  
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	Page
■ Headlines	2
■ Summary of certification work outcomes	3
■ Fees	5
■ Recommendations	6

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

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

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Phil Johnstone, who is the engagement leader to the Authority (telephone 020 7311 2091, e-mail [philip.johnstone@kpmg.co.uk](mailto:philip.johnstone@kpmg.co.uk) who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees (telephone 0161 236 4000, e-mail [trevor.rees@kpmg.co.uk](mailto:trevor.rees@kpmg.co.uk)) who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit, Westward House, Lime Kiln Close, Stoke Gifford, Bristol, BS34 8SR or by e mail to: [complaints@audit-commission.gov.uk](mailto:complaints@audit-commission.gov.uk). Their telephone number is 0844 798 3131, textphone (minicom) 020 7630 0421.

Introduction and background	<p><b>This report summarises the results of the work on the certification of the Council's 2012/13 grant claims and returns. For the first time, this certification work was fully undertaken by KPMG as appointed auditor. In 2011/12, KPMG had reported on work largely carried out by the Audit Commission.</b></p> <ul style="list-style-type: none"> <li>■ For 2012/13, four claims and returns with a total value of £503 million were certified.</li> </ul>	-
Certification results	<p><b>We issued unqualified certificates for two grant claims and returns, and issued qualifications in respect of the housing and council tax benefits claim and the national non-domestic rates return.</b></p> <ul style="list-style-type: none"> <li>■ The housing and council tax benefits claim was qualified due to benefit either being incorrectly awarded or incorrectly classified on the claim. The 2011/12 claim was also qualified and the level of errors found this year was consistent with the previous year.</li> <li>■ The national non-domestic rates (NNDR) return was qualified as information in respect of the new deferral scheme could not be located in time to meet the certification deadline. We note that the information was subsequently found, and the qualification issue cleared between the Council and the grant-paying body (Department for Communities and Local Government). The claim had not been qualified in 2011/12.</li> </ul>	Pages 3-5
Adjustments	<p><b>Amendments were necessary to three grant claims and returns audited this year compared to none in 2011/12.</b></p> <ul style="list-style-type: none"> <li>■ The housing and council tax benefits claim, the national non-domestic rates return and the teachers' pensions return all required minor amendments this year although the amendment on the teachers' pensions return did not impact on the value reported. The largest adjustment was to increase the housing and council tax benefit claim by £11,665.</li> </ul>	Pages 3-5
The Council's arrangements	<p><b>The Council has good arrangements for preparing its grant claims and returns and supporting our certification work. However, improvement is required in relation to responding promptly to queries on the housing and council tax benefits claim.</b></p> <ul style="list-style-type: none"> <li>■ The auditor deadline for submission of the housing benefits claim to the grant-paying body (Department for Work and Pensions) was missed by four days due to delays in the Council's responses to queries. The Council discussed this with the DWP who accepted a slight delay in the submission.</li> <li>■ No other significant weaknesses were identified in the Council's arrangements for preparing its grant claims and returns.</li> </ul>	Pages 3-5
Fees	<p><b>The overall fee for the certification of grants and returns reflects a significant reduction on 2011/12. However, there is an additional charge from the original scale fee to reflect additional work required to resolve queries on the housing and council tax benefits claim and the production of a qualification letter for the national non-domestic rates return.</b></p>	Page 6



## Certification of grants and returns 2012/13

### Summary of certification work outcomes

**Overall, we certified 4 grants and returns:**

- 1 was unqualified without amendment;
- 1 was unqualified, but required amendment;
- 2 required a qualification to our audit certificate (these were also amended).

Detailed comments are provided overleaf.

Detailed below is a summary of the key outcomes from our certification work on the Council's 2012/13 grants and returns, showing where either audit amendments were made as a result of our work or where we had to qualify our audit certificate.

A qualification means that issues were identified concerning the Council's compliance with a scheme's requirements that could not be resolved through adjustment. In these circumstances, it is likely that the relevant grant paying body will require further information from the Council to satisfy itself that the full amounts of grant claimed are appropriate.

	Comments overleaf	Qualified certificate	Significant adjustment	Minor adjustment	Unqualified certificate
Housing and council tax benefit	1				
National non-domestic rates return	2				
Teachers' pensions return	3				
Pooling of housing capital receipts	4				
		2	0	3	2

Detailed below is a summary of the certification work on the Council's 2011/12 grants and returns.

	Qualified certificate	Significant adjustment	Minor adjustment	Unqualified certificate
Housing and council tax benefit				
National non-domestic rates return				
Teachers' pensions return				
HRA subsidy				
Pooling of housing capital receipts				
	1	0	0	4

## Certification of grants and returns 2012/13

### Summary of certification work outcomes

This table summarises the key issues behind each of the adjustments or qualifications that were identified on the previous page.

Page 11

Ref	Summary observations	Amendment (£)
1	<p><b>Housing and council tax benefits scheme</b></p> <p>The Council processed over 30,000 claims during the year, many of which were reassessed several times during the year. We completed an initial sample of 80 cases from this population and identified the following errors:</p> <ul style="list-style-type: none"> <li>■ 1 case where self-employed earnings were incorrectly recorded;</li> <li>■ 1 case where expenditure was misclassified due to an incorrect tenancy type being used;</li> <li>■ 1 case where expenditure was misclassified for a property outside the borough, where an incorrect rent cap had been used;</li> <li>■ 1 case where the claimant did not provide evidence for the student status of one of the non-dependents living at the property; as such an incorrect non-dependent deduction was made to the claim; and</li> <li>■ 1 case where the claimant was in receipt of Employment Support Allowance, but this was applied at the incorrect time. The case should also have been backdated following a change in family circumstances.</li> </ul> <p>In line with instructions given to auditors, we extrapolate any errors found and report them in a qualification letter. The extrapolated errors reported could lead to a loss of up to £60,000 on the total claim of £382 million.</p> <p>The Council carried out work to quantify the total errors relating to the misclassifications reported above as they could isolate the errors and calculate the total impact on the claim. The value of the claim was increased by £0.012m. Given the high complexity of the scheme the number of errors identified and qualification issues reported are relatively small.</p> <p>Despite the relatively low number of errors and qualification issues reported, the Council needs to significantly improve its arrangements for responding to audit queries. We issued an engagement letter on grant claims and returns, which contained a list of evidence required for the audit which was not fully received in advance. In addition, many audit queries raised during the certification process were unanswered for several weeks. Despite this being raised with senior officers, ultimately the audit deadline was not achieved due to the delays in providing responses.</p> <p>The certified claim was submitted to the DWP four days after the deadline. Although the Council discussed this with the DWP who accepted a slight delay in the submission, missing such certification deadlines represents a financial risk for the Council as Government Departments can suspend payments. Improved arrangements should be put in place for 2013/14 to ensure that the Council does not risk missing deadlines and potentially losing grant funding in future.</p>	£11,665

## Certification of grants and returns 2012/13

### Summary of certification work outcomes

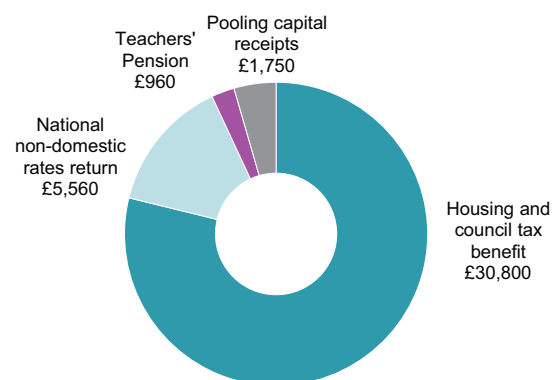
This table summarises the key issues behind each of the adjustments or qualifications that were identified on the previous page.

Ref	Summary observations	Amendment (£)
2	<b>National Non-domestic Rates (NNDR) Return</b> <ul style="list-style-type: none"> <li>We selected a sample of properties for the new claim entry (deferral scheme arrangements), and requested evidence to demonstrate that the businesses selected had applied for the scheme. The Council could not locate the information in time to meet the certification deadline and thus we issued a qualification letter. We note that the information was subsequently found, and the qualification issue cleared between the Council and the grant-paying body (Department for Communities and Local Government) in the month following the qualification letter.</li> <li>The Council made a minor transposition error in one of the claim entries, which had to be amended.</li> </ul>	£18
3	<b>Teachers' pension return</b> <ul style="list-style-type: none"> <li>The claim was fairly presented. However, the Council did not complete the correct grant claim form as prescribed by the grant paying body (Teachers' Pensions) and the Audit Commission.</li> </ul>	£nil
4	<b>Pooling of housing capital receipts</b> <ul style="list-style-type: none"> <li>The claim required additional information this year. The Council completed the claim and it was fairly stated.</li> </ul>	£nil



Our overall fee for the certification of grants and returns is in line with our initial estimate.

### Breakdown of certification fees 2012/13



### Breakdown of fee by grant/return

(£)	Actual 2012/13	Initial estimate 2012/13	Actual 2011/12
Housing and council tax benefit	33,566	30,800	47,915
National non-domestic rates return	5,860	5,560	7,178
Teachers' pensions return	960	960	3,421
Pooling of housing capital receipts	1,750	1,750	2,454
HRA subsidy	0	0	3,020
Single programme (LDA)	0	430	0
Control and reporting	0	0	5,350
<b>Total fee</b>	<b>42,136</b>	<b>39,500</b>	<b>69,338</b>

The initial estimated fee for certifying 2012/13 grants and returns was £39,500. The main reasons for the movements on the fee from the previous year were:

- An overall reduction of 40% due to the Audit Commission reducing scale fees; and
- One fewer grant claim required auditing (HRA subsidy).

The main reasons for variations from the initial scale fee set by the Audit Commission were:

- Single programme grant did not requiring auditing;
- Delays experienced in resolving queries on the housing and council tax benefits claim, which resulted in the auditor certification deadline not being met, as well as an additional 40+ sample undertaken; and
- Additional time incurred in the production of a qualification letter for the national non-domestic rates return.

We recommend the Council takes the following steps to improve its support for our certification work, which should help minimise certification fees in the future:

- ensure that there is sufficient capacity in the benefits department to provide timely responses to audit queries;
- continue to review controls over the accuracy of information used to calculate housing benefits;
- ensure that data to support the national non-domestic rates return is accessible in a timely way; and
- ensure that the Council identifies and acts on changes in guidance for claim preparation;

We have given each recommendation a risk rating and agreed what action management will need to take. We will follow up these recommendations during next year's certification work. We note that recommendation 2 was raised in the 2011/12 report.

### Priority rating for recommendations

<p><b>1</b> Issues that are fundamental and material to your overall arrangements for managing grants and returns or compliance with scheme requirements. We believe that these issues might mean that you do not meet a grant scheme requirement or reduce (mitigate) a risk.</p>	<p><b>2</b> Issues that have an important effect on your arrangements for managing grants and returns or complying with scheme requirements, but do not need immediate action. You may still meet scheme requirements in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.</p>	<p><b>3</b> Issues that would, if corrected, improve your arrangements for managing grants and returns or compliance with scheme requirements in general, but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.</p>
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Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
<b>Housing and council tax benefit scheme</b>					
<p><b>Benefits department capacity</b></p> <p>Auditor certification deadline was missed due to delays in obtaining audit query responses.</p>	<p>There is a potential financial risk to the Council if deadlines are missed, as the grant paying body could elect to withhold funding.</p>	<p><b>1</b></p> <p>Ensure that there is sufficient capacity in the benefits department to respond to audit queries in a timely way.</p>	<p><b>2</b></p>	<p><b>Agreed</b></p> <p>We shall arrange an early meeting with the auditors this year so that we can match our resources to the periods of audit activity and shall also be requesting an early start to the work to try and avoid large workloads immediately prior to the audit deadline.</p>	<p>Benefits Policy and Subsidy Manager 30 April 2014</p>
<p><b>Input errors</b></p> <p>There were errors in inputting rent and income details which caused a small number of claims to be incorrectly assessed.</p>	<p>The Council risks paying claimants the incorrect amount and incurring losses if benefits disbursed in error can not be recharged to the DWP.</p>	<p><b>2</b></p> <p>Ensure that errors identified in this year's audit are addressed as part of training benefit assessors.</p>	<p><b>3</b></p>	<p><b>Agreed</b></p> <p>This has already been done and we are also implementing procedures to minimise the likelihood of similar errors in the future.</p>	<p>Benefits Policy and Subsidy Manager 31 March 2014</p>

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
<b>Housing and council tax benefit scheme</b>					
<b>Rent caps</b> For a limited number of properties, the Council applied the incorrect rent cap depending on the location of the property.	The Council risks being unable to re-claim the correct subsidy in respect of these properties.	<b>3</b> Review the application of rent caps to ensure the correct one is applied and thus eliminate the risk of claiming the incorrect amount of subsidy.	<b>2</b>	<b>Agreed</b> All cases in the particular category where this error was identified have been looked at and any rent capping errors found in these cases have been corrected.	Benefits Policy and Subsidy Manager 31 March 2014
<b>National non-domestic rates return</b>					
<b>Retaining evidence</b> Evidence to support deferral scheme applications was not available for audit, resulting in qualification.	Claim or return will be subject to qualification, which may incur additional fees and / or additional scrutiny from the grant-paying body.	<b>4</b> Ensure that evidence to support all claim entries is available upon request.	<b>3</b>	The relevant documents were produced and submitted to the government department after the audit. The filing of documents changed during 2012/13 with documents being stored electronically (rather than paper). Part of this changeover required old documents to be scanned into the new system and there was a delay in the retrieval of these documents. All staff have subsequently had further training on this matter so this will not re-occur.	N/A as completed.



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# External Audit Plan 2013/14

Page 17

London Borough of Brent and Brent Pension  
Fund

March 2014

Agenda Item 6

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## Report sections

■ Introduction	2
■ Headlines	3
■ Our audit approach	4
■ Key financial statements audit risks for the Authority and Pension Fund	9
■ VFM audit approach	11
■ Audit team, deliverables, timeline and fees	15

## Appendices

1. Independence and objectivity requirements	19
2. Quality assurance and technical capacity	20

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

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

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Phil Johnstone, the appointed engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 246 4000, or by email to [trevor.rees@kpmg.co.uk](mailto:trevor.rees@kpmg.co.uk), who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, 3<sup>rd</sup> Floor, Fry Building, 2 Marsham Street, London, SW1P 4DF or by email to [complaints@audit-commission.gsi.gov.uk](mailto:complaints@audit-commission.gsi.gov.uk). Their telephone number is 0303 444 8330.



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

### Scope of this report

We are pleased to be your external auditors for 2013/14. This document supplements our *Audit Fee Letter 2013/14* presented to you in April 2013. It describes how we will deliver our financial statements audit work for the London Borough of Brent ('the Authority') and the Brent Pension Fund ('the Pension Fund'). It also sets out our approach to value for money (VFM) work for 2013/14.

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

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

### Statutory responsibilities

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

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

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

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

### Structure of this report

This report is structured as follows:

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

### Acknowledgements

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

This table summarises the headline messages. The remainder of this report provides further details on each area.

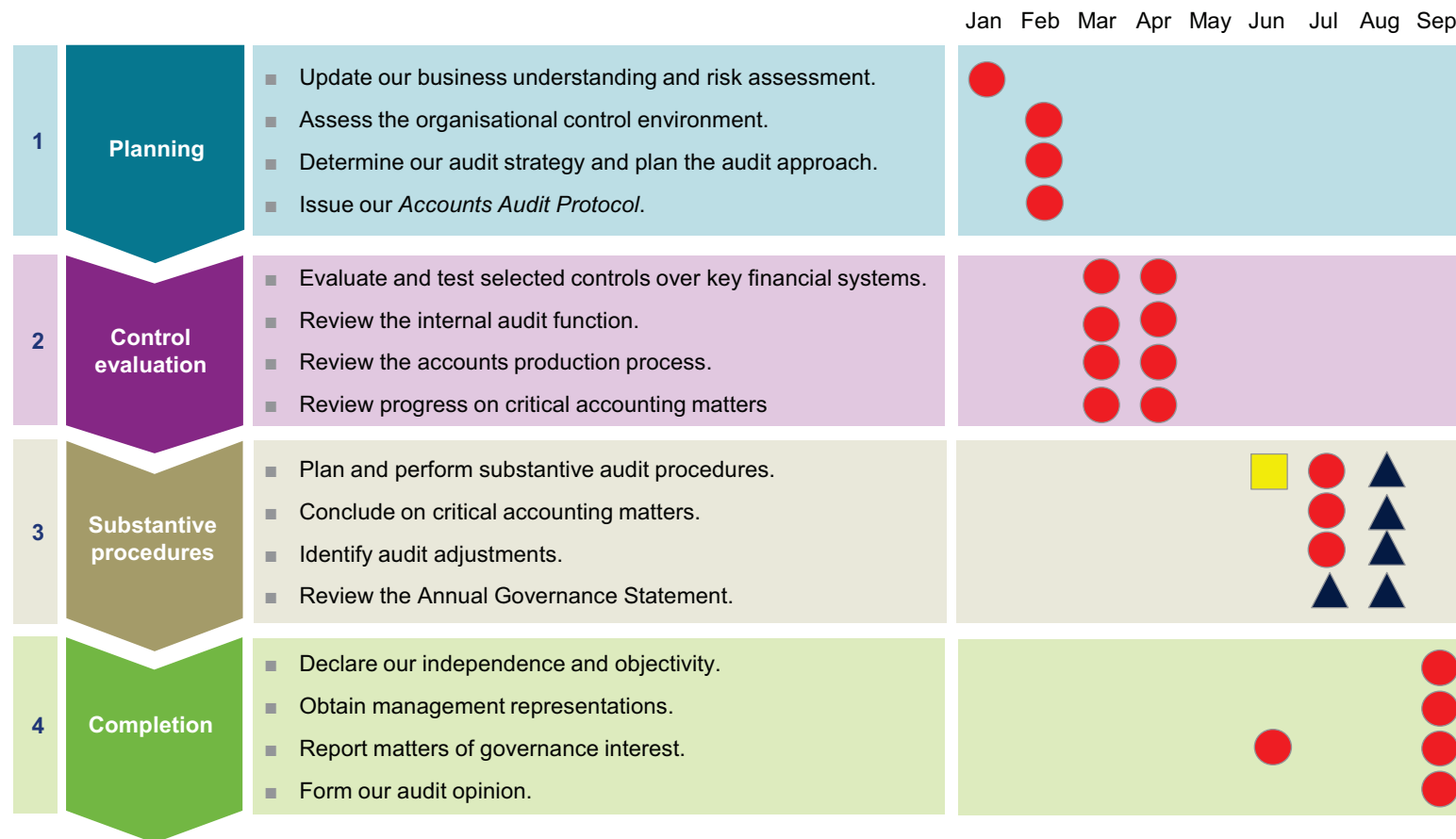
<b>Audit approach</b>	<p>Our overall audit approach is unchanged from last year. Our work is carried out in four stages and the timings for these, and specifically our on site work, will be agreed with the Chief Finance Officer.</p> <p>Our audit strategy and plan remain flexible as risks and issues change throughout the year. We will review the initial assessments presented in this document throughout the year and should any new risks emerge we will evaluate these and respond accordingly.</p>
<b>Key financial statements audit risks for the Authority</b>	<p>We have completed our initial risk assessment for the financial statements audit and have identified one significant risk this year. This relates to the triennial valuation for the local government pension scheme.</p> <p>This is described in more detail on page 9. We will assess the Authority's progress in addressing this risk as part of our interim work and conclude this work at year end.</p>
<b>Key financial statements audit risks for the Pension Fund</b>	<p>Our initial risk assessment for the Pension Fund's financial statements audit has not identified any significant risks this year.</p>
<b>VFM audit approach and risk assessment</b>	<p>We have completed our initial risk assessment for the VFM conclusion and have not identified any significant risks at this stage.</p>
<b>Audit team, deliverables, timeline and fees</b>	<p>There has been no change to the main audit team from last year.</p> <p>Our year end audit is currently planned to commence in July 2014. Upon conclusion of our work we will present our findings to you in our <i>Report to Those Charged with Governance (ISA 260 Report)</i> in September 2014.</p> <p>The overall planned fee for the 2013/14 audit is £263,520 and £21,000 for the Pension Fund. This is unchanged from the position set out in our <i>Audit Fee Letter 2013/14</i>.</p>



We undertake our work on your financial statements in four key stages during 2014:

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

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



Key: ● Authority and Pension Fund ■ Pension Fund only ▲ Authority only

## Section three

# Our audit approach – planning

During January and February 2014 we complete our planning work.

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

We assess if there are any weaknesses in respect of central processes that would impact on our audit.

If we become aware of any significant matters relating to the Authority's group accounts, we will report the those matters in our *ISA 260 Report*.

Our planning work takes place in January and February 2014. This involves the following aspects:

### Planning

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

### Business understanding and risk assessment

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

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

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

### Organisational control environment

Controls operated at an organisational level often have an impact on controls at an operational level and if there were weaknesses this would impact on our audit.

In particular risk management, internal control and ethics and conduct have implications for our financial statements audit. The scope of the work of your internal auditors also informs our risk assessment.

### Audit strategy and approach to materiality

Our audit is performed in accordance with International Standards on Auditing (ISAs) (UK and Ireland). The Engagement Lead sets the overall direction of the audit and decides the nature and extent of audit activities. We design audit procedures in response to the risk that the financial statements are materially misstated. The materiality level is a matter of judgement and is set by the Engagement Lead.

In accordance with ISA 320 '*Audit materiality*', we plan and perform our audit to provide reasonable assurance that the financial statements are free of material misstatement and give a true and fair view. Information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements.

### Group audit

In addition to the Authority's financial statements we will also audit the Group financial statements. We do not deem any of the Authority's subsidiaries significant in the context of the group audit.

To support our audit work on the Authority's group accounts, we seek to place reliance on the work of PWC who are the auditors to Brent Housing Partnership Limited. We will liaise with them in order to confirm that their programme of work is adequate for our purposes and they satisfy professional requirements.

If we become aware of any significant matters relating to the Authority's group accounts, we will report the those matters in our *ISA 260 Report*.

### Accounts audit protocol

At the end of our planning work we will issue our *Accounts Audit Protocols*. Separate documents will be issued for the Authority and the Pension Fund. These important documents set out our audit approach and timetable. They also summarise the working papers and other evidence we require during our interim and final accounts visits.

## Section three

# Our audit approach – control evaluation

During March to April 2014 we will complete our interim audit work.

We assess if controls over key financial systems were effective during 2013/14. We work with your internal audit team to avoid duplication.

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

We will report any significant findings arising from our work to the Audit Committee.

Our interim visit on site will be completed during March and April 2014. During this time we will complete work in the following areas:

### Control Evaluation

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

### Controls over key financial systems

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

Where our audit approach is to undertake controls work on financial systems, we seek to rely on any relevant work internal audit have completed to minimise unnecessary duplication of work. Our audit fee is set on the assumption that we can place reliance on their work. We have discussed with the Head of Audit and Investigation the principles and timetables for the audit process for 2013/14.

### Review of internal audit

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

### Accounts production process

We raised a recommendation in our Annual Audit Letter in 2012/13 relating to the Whole of Government Accounts process. We will assess the Authority's progress in addressing our recommendation and in preparing for the closedown and accounts preparation.

### Critical accounting matters

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

If there are any significant findings arising from our interim work we will present these to the Audit Committee in June 2014.

## Section three

# Our audit approach – substantive procedures

During July and August 2014 we will be on site for our substantive work on the Authority's financial statements. We will conduct our work on the Pension Fund at the same time.

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

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

We will present our *ISA 260 Report* for both the Authority and Pension Fund audits to the Audit Committee in September 2014.

Our final accounts visit on site has been provisionally scheduled for July and August 2014 for both the Authority and the Pension Fund. During this time, we will complete the following work:

### Substantive Procedures

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

### Substantive audit procedures

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

### Critical accounting matters

We conclude our testing of key risk areas identified at the planning stage and any additional issues that may have emerged since.

We will discuss our early findings of the Authority's approach to address the key risk areas with the Chief Finance Officer, prior to reporting to the Audit Committee.

### Audit adjustments

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

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

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

### Annual Governance Statement

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

We report the findings of our final accounts work in our *ISA 260 Report*, which we will issue in September 2014.

### Pension Fund Annual Report

We also issue our opinion on the consistency of the Pension Fund Annual Report with the Pension Fund's accounts. We intend to issue this opinion at the same time as our opinion on the accounts.

In addition to auditing the financial statements, we review the Authority's Whole of Government Accounts pack.

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

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

### Whole of government accounts (WGA)

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

### Elector challenge

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

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

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

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

### Reporting and communication

Reporting is a key part of the audit process, not only in communicating the audit findings for the year, but also in ensuring the audit team are accountable to you in addressing the issues identified as part of the audit strategy. Throughout the year we will communicate with you through meetings with the finance team and the Audit Committee. Our deliverables are included on page 16.

### Independence and objectivity confirmation

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

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

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

Appendix 1 provides further detail on auditors' responsibilities regarding independence and objectivity.

### Confirmation statement

We confirm that as of 6 March 2014 in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Engagement Lead and audit team is not impaired.


In this section we set out our assessment of the significant risks to the audit of the financial statements for 2013/14.

We have identified one significant risk to the audit of the Authority's financial statements for 2013/14. For this key risk area, we have outlined the impact on our audit plan.

We have identified no specific risks to the audit of the Pension Fund's financial statements for 2013/14 at this stage.

The table below sets out the significant risk we have identified through our planning work that are specific to the audit of the Authority's financial statements for 2013/14.

We will revisit our assessment throughout the year and should any additional risks present themselves we will adjust our audit strategy as necessary.

Key audit risks	Impact on audit
 <p><b>Audit areas affected</b></p> <ul style="list-style-type: none"> <li>■ Pensions liability</li> <li>■ Actuarial gains or losses</li> <li>■ Pensions costs</li> </ul>	<p><b>Risk</b></p> <p>During the year, the Local Government Pension Scheme for Brent (the Pension Fund) has undergone a triennial valuation with an effective date of 31 March 2013 in line with the Local Government Pension Scheme (Administration) Regulations 2008. The Authority's share of pensions assets and liabilities is determined in detail, and a large volume of data is provided to the actuary in order to carry out this triennial valuation.</p> <p>The IAS 19 numbers to be included in the financial statements for 2013/14 will be based on the output of the triennial valuation rolled forward to 31 March 2014. For 2014/15 and 2015/16 the actuary will then roll forward the valuation for accounting purposes based on more limited data.</p> <p>There is a risk that the data provided to the actuary for the valuation exercise is inaccurate and that these inaccuracies affect the actuarial figures in the financial statements.</p> <p><b>Our audit work</b></p> <p>As part of our audit, we will need to agree the data provided to the actuary back to the systems and reports from which it was derived, and test the accuracy of this data.</p> <p>We will also review the controls the Authority has in place to review the data received from the actuary.</p>

Our initial assessment has not identified any risks that are specific to the Pension Fund.

In this section we consider the other issues we need to take account of in developing our audit approach to the financial statements in 2013/14.

Professional standards require us to consider two standard risks for all organisations. We will consider them as a matter of course in our audit of the Authority and the Pension Fund and will include any findings arising from our work in our *ISA 260 Report*.

- Management override of controls – Management is typically in a powerful position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit methodology incorporates the risk of management override as a default risk. In line with our methodology, we carry out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.
- Fraudulent revenue recognition – We do not consider this to be a significant risk for local authorities or pension funds as there are limited incentives and opportunities to manipulate the way income is recognised. We therefore rebut this risk and do not incorporate specific work into our audit plan in this area over and above our standard fraud procedures.



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

### Background to approach to VFM work

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

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

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

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

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



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

#### Overview of the VFM audit approach

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



Each of these stages are summarised further below.

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

## Section five

### VFM audit approach (continued)

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

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

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

## Section five

### VFM audit approach (continued)

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

We have completed our initial risk assessment and have not identified any risks to our VFM conclusion at this stage. We will update our assessment at year end.

We will conclude on the results of the VFM audit through our ISA 260 Report.

VFM audit stage	Audit approach
Delivery of local risk based work	<p>Depending on the nature of the residual audit risk identified, we may be able to draw on audit tools and sources of guidance when undertaking specific local risk-based audit work, such as:</p> <ul style="list-style-type: none"> <li>■ local savings review guides based on selected previous Audit Commission national studies; and</li> <li>■ update briefings for previous Audit Commission studies.</li> </ul> <p>The tools and guides will support our work where we have identified a local risk that is relevant to them. For any residual audit risks that relate to issues not covered by one of these tools, we will develop an appropriate audit approach drawing on the detailed VFM guidance and other sources of information.</p>
Concluding on VFM arrangements	<p>At the conclusion of the VFM audit we will consider the results of the work undertaken and assess the assurance obtained against each of the VFM themes regarding the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources.</p> <p>If any issues are identified that may be significant to this assessment, and in particular if there are issues that indicate we may need to consider qualifying our VFM conclusion, we will discuss these with management as soon as possible. Such issues will also be considered more widely as part of KPMG's quality control processes, to help ensure the consistency of auditors' decisions.</p>
Reporting	<p>We have completed our initial VFM risk assessment and have not identified any key issues. We will update our assessment throughout the year should any issues present themselves and report against these in our ISA260.</p> <p>We will report on the results of the VFM audit through our <i>ISA 260 Report</i>. This will summarise any specific matters arising, and the basis for our overall conclusion.</p> <p>The key output from the work will be the VFM conclusion (i.e. our opinion on the Authority's arrangements for securing VFM), which forms part of our audit report.</p>

Your audit team has been drawn from our specialist public sector assurance department. Our audit team were all part of the London Borough of Brent audit last year.

Contact details are shown on page 1.

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



Phil Johnstone  
**Director**

"My role is to lead our team and ensure the delivery of a high quality, value added external audit opinion.

I will be the main point of contact for the Audit Committee and the Authority's Corporate Management Team".



Steve Lucas  
**Senior Manager**

"I provide quality assurance for the audit work and specifically any technical accounting and risk areas.

I will work closely with Phil to ensure we add value.

I will liaise with the Chief Finance Officer".



Gary McLeod  
**Manager**

"I am responsible for the management, review and delivery of the audit of the Pension Fund.

I will liaise with the Head of Exchequer and Investment".



Jonathan Ware  
**Assistant Manager**

"I will be responsible for the on-site delivery of our work on the Authority and Pension Fund's financial statements. I will liaise with the finance team. I will also supervise the work of our audit assistants".

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

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

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

Deliverable	Purpose	Committee dates
<b>Planning</b>		
<b>External Audit Plan</b>	<ul style="list-style-type: none"> <li>■ Outlines our audit approach.</li> <li>■ Identifies areas of audit focus and planned procedures.</li> </ul>	<b>March 2014</b>
<b>Control evaluation and substantive procedures</b>		
<b>Report to Those Charged with Governance (ISA 260 Report)</b>	<ul style="list-style-type: none"> <li>■ Details control and process issues.</li> <li>■ Details the resolution of key audit issues.</li> <li>■ Communicates adjusted and unadjusted audit differences.</li> <li>■ Highlights performance improvement recommendations identified during our audit.</li> <li>■ Comments on the Authority's value for money arrangements.</li> </ul>	<b>September 2014</b>
<b>Report to Those Charged with Governance (ISA 260 Report) for the Pension Fund</b>	<ul style="list-style-type: none"> <li>■ Details control and process issues.</li> <li>■ Details the resolution of key audit issues.</li> <li>■ Communicates adjusted and unadjusted audit differences.</li> <li>■ Highlights performance improvement recommendations identified during our audit.</li> </ul>	<b>September 2014</b>
<b>Completion</b>		
<b>Auditor's Report</b>	<ul style="list-style-type: none"> <li>■ Provides an opinion on the Authority's and Pension Fund accounts (including the Annual Governance Statement).</li> <li>■ Concludes on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the VFM conclusion).</li> </ul>	<b>September 2014</b>
<b>Whole of Government Accounts</b>	<ul style="list-style-type: none"> <li>■ Provide our opinion on the Authority's WGA pack submission.</li> </ul>	<b>September 2014</b>
<b>Pension Fund Annual Report</b>	<ul style="list-style-type: none"> <li>■ We provide an opinion on the consistency of the Pension Fund annual report with the Pension Fund accounts.</li> </ul>	<b>September 2014</b>
<b>Annual Audit Letter</b>	<ul style="list-style-type: none"> <li>■ Summarises the outcomes and the key issues arising from our audit work for the year.</li> </ul>	<b>November 2014</b>

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

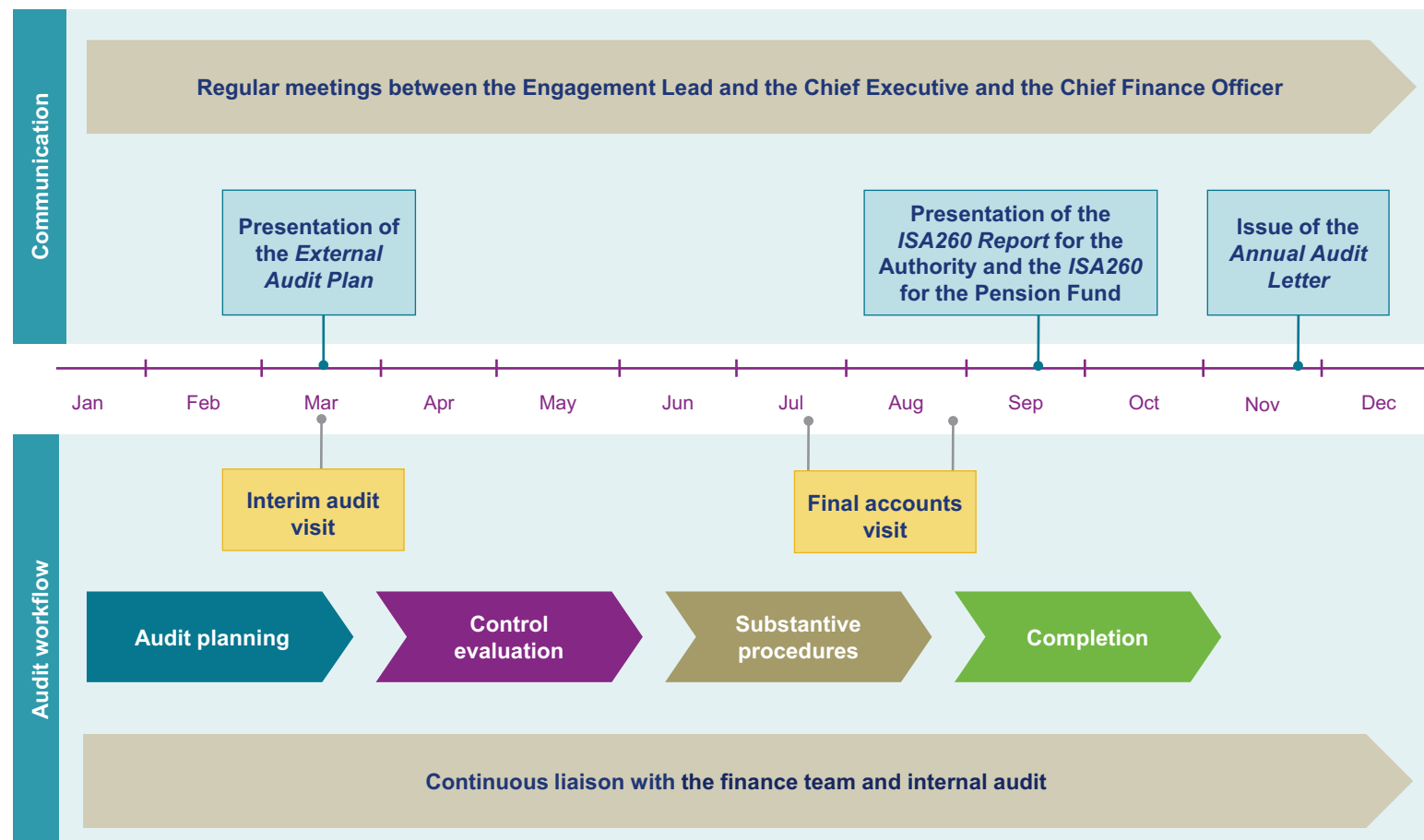
Key formal interactions with the Audit Committee are:

- March – External Audit Plan; and
- September – ISA 260 Report.

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

Our main work on site will be our:

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



The main fee for 2013/14 audit of the Authority is £263,520. The fee for our audit of the Pension Fund is £21,000. The fee has not changed from that set out in our *Audit Fee Letter 2013/14* issued in April 2013.

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

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

#### Audit fee

Our *Audit Fee Letter 2013/14* presented to you in April 2013 first set out our fees for the 2013/14 audit.

Element of the audit	2013/14 (planned)	2012/13 (actual)
Main audit fee	£263,520	£272,367
Pension Fund audit fee	£21,000	£21,000

Our main audit fee includes our work on the VFM conclusion and our audit of the Authority's financial statements. The fee for 2013/14 is £263,520. This is a reduction of 3.3 percent compared to the 2012/13 fee.

#### Audit fee assumptions

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

- the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2012/13;
- you will inform us of any significant developments impacting on our audit;
- you will identify and implement any changes required under the *CIPFA Code of Practice on Local Authority Accounting in the UK 2013/14* within your 2013/14 financial statements;
- you will comply with the expectations set out in our *Accounts Audit Protocol*, including:
  - the financial statements are made available for audit in line with the agreed timescales;
  - good quality working papers and records will be provided at the start of the final accounts audit;

- requested information will be provided within the agreed timescales;
- prompt responses will be provided to queries and draft reports;
- internal audit meets appropriate professional standards;
- internal audit adheres to our joint working protocol and completes appropriate work on all systems that provide material figures for the financial statements and we can place reliance on them for our audit; and
- additional work will not be required to address questions or objections raised by local government electors or for special investigations such as those arising from disclosures under the Public Interest Disclosure Act 1998.

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

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

#### Changes to the audit plan

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

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

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



This appendix summarises auditors' responsibilities regarding independence and objectivity.

### Independence and objectivity

Auditors are required by the Code to:

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

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

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

- Auditors and senior members of their staff who are directly involved in the management, supervision or delivery of Commission-related work, and senior members of their audit teams should not take part in political activity.
- No member or employee of the firm should accept or hold an appointment as a member of an audited body whose auditor is, or is proposed to be, from the same firm. In addition, no member or employee of the firm should accept or hold such appointments at related bodies, such as those linked to the audited body through a strategic partnership.

- Audit staff are expected not to accept appointments as Governors at certain types of schools within the local authority.
- Auditors and their staff should not be employed in any capacity (whether paid or unpaid) by an audited body or other organisation providing services to an audited body whilst being employed by the firm.
- Firms are expected to comply with the requirements of the Commission's protocols on provision of personal financial or tax advice to certain senior individuals at audited bodies, independence considerations in relation to procurement of services at audited bodies, and area wide internal audit work.
- Auditors appointed by the Commission should not accept engagements which involve commenting on the performance of other Commission auditors on Commission work without first consulting the Commission.
- Auditors are expected to comply with the Commission's policy for the Engagement Lead to be changed on a periodic basis.
- Audit suppliers are required to obtain the Commission's written approval prior to changing any Engagement Lead in respect of each audited body.
- Certain other staff changes or appointments require positive action to be taken by Firms as set out in the standing guidance.



We continually focus on delivering a high quality audit.

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

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

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

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

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

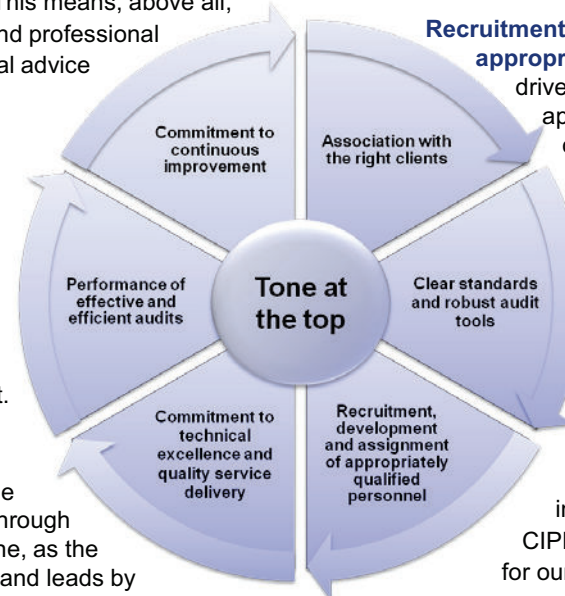
We believe it is important to be transparent about the processes that sit behind a KPMG audit report, so you can have absolute confidence in us and in the quality of our audit.

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

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

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

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



### Recruitment, development and assignment of appropriately qualified personnel:

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

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

- A national public sector technical director who has responsibility for co-ordinating our response to emerging accounting issues, influencing accounting bodies (such as CIPFA) as well as acting as a sounding board for our auditors.

- A national technical network of public sector audit professionals is established that meets on a monthly basis and is chaired by our national technical director.

- A dedicated Department of Professional Practice comprised of over 100 staff that provide support to our audit teams and deliver our web-based quarterly technical training.

**We continually focus on delivering a high quality audit.**

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

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

### **Commitment to technical excellence and quality service delivery:**

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

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

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

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

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

### **Our quality review results**

We are able to evidence the quality of our audits through the results of National Audit Office and Audit Commission reviews. The Audit Commission publishes information on the quality of work provided by KPMG (and all other firms) for audits undertaken on behalf of them (<http://www.audit-commission.gov.uk/audit-regime/audit-quality-review-programme/principal-audits/kpmg-audit-quality>).


The latest Annual Regulatory Compliance and Quality Report (issued June 2013) showed that we performed highly against the Audit Commission's criteria. We were one of only two firms to receive a combined audit quality and regulatory compliance rating of green for 2012/13.



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 <b>Brent</b>	<b>Audit Committee</b> 19 March 2014  <b>Report from the Chief Finance Officer</b>
<b>Corporate Risk Register</b>	

## 1. Summary

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

## 2. Recommendations

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

## 3. Detail

- 3.1. The council's risk management strategy and policy was agreed by the Corporate Management Team (CMT) in September 2011 and endorsed by the Audit Committee in December 2011. A summary of the risk management process is set out:
- Directors ensure that a risk register is in place for all their areas of responsibility utilising the council's risk template
  - Operational risks are managed at a departmental level with key risks, which may be of significance across the whole organisation or need escalating due to their risk rating, being fed into the Corporate Risk Register
  - Registers are forwarded to Audit and Investigations on a quarterly basis.
  - CMT develops and maintains (with support from Audit and Investigations) a register of the council's highest level strategic risk. These are held on a Corporate Risk Register. CMT will consider these risks along with those submitted by Directors and incorporate appropriate operational risks into the Corporate Register. The operational risks remain separately identifiable on this register.

- The One Council programme maintains risk logs on a project by project basis. Where these are significant they will be reflected in the Corporate Register.
- Audit and Investigations assist CMT and Departmental Management Teams to develop their registers and provide regular reports to the Audit Committee concerning risks and the risk management process. The risk registers will drive the council's internal audit plan.

3.2. The current register is attached at appendix 1. There are a number of changes since the last Audit Committee and CMT review in September 2013 and CMT are asked to consider these:

Strategic Risks – No new inclusions or deletions, some changes to wording and responsible officer as highlighted in blue.

*Audit comment – Given the significant budget reductions required across all service areas, CMT may wish to consider the inclusion of a strategic risk around the ability to deliver savings and maintain statutory services. It is recognised that this is a very broad risk heading and will be difficult to encapsulate in a single register entry.*

Operational Risks –

**Regeneration and Growth:** The risks concerning failure to hit both council tax and NNDR collection targets have been removed. Asbestos records in schools has reappeared as has failure to deliver the customer service project.

A new risk concerning assaults within the Civic Center has been added.

**Adult Social Services:** New risk added concerning meeting the demands of carers.

**Environment and Neighbourhood:** New risk added concerning the parking contract.

**Legal and Procurement:** Three new risks added concerning compliance with EU procurement regulations; judicial reviews and employment litigation.

**Assistant Chief Executives Department:** Five new risks added for the new department.

#### 4. Legal Implications

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

**5. Financial Implications**

5.1. None

**6. Diversity Implications**

6.1. None

**7. Contact Officer Details**

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

**Conrad Hall**  
**Chief Finance Officer**

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## CORPORATE STRATEGIC RISKS

ID	CAT.	RISK IDENTIFICATION (Describe risk and underlying cause)	IMPACT (Consequences of risk maturing)	Risk Owner	Inherent (raw) risk			Existing Controls	Sources of Assurance	Residual (net) risk			Movement Indicator	Further Actions	Deadline	Responsible Officer
					Impact	Likelihood	Risk Score			Impact	Likelihood	Risk Score				
S4	Economic / Socio Cultural / Financial	Economic recession and demographic change and welfare reform agenda including: Benefit caps, bedroom tax, council tax support,														
R&G5	Economic/ Political/ Cultural	Socio Increase in homelessness caused by high levels of service demand caused by housing and welfare reforms as well as the current economic climate.	Council unable to manage budget within agreed limits. Major impact on children within homeless families.	Jon Lloyd-Owen Operational Director - Housing & Employment	6	6	36	Delivery of the revised Accommodation Strategy  Detailed budget monitoring arrangements in place  Continue to focus resources on prevention of homelessness wherever possible  Reduction in the use of high cost temporary accommodation and introduction of new more cost effective contracts to provide temporary accommodation  Monitoring of temporary accommodation placements	Regular monitoring.	5	5	25	↔		Mar-14	Laurence Coaker - Head of Housing Needs
CF3	Socio Cultural/Reputational/Financial	Current economic climate and further reduction in funding levels leading to greater demand for services and potential inability to meet statutory responsibilities. Impact of welfare reforms increases housing pressures on social care, including increasing demands from families with no recourse to public funds. Increase in family breakdown due to economic downturn.	Increase in number of looked after children or greater demand for services for vulnerable and young persons. Pressures translate into increased financial pressures. Certain key statutory responsibilities cannot be met.	Graham Genoni - Operational Director, Children Social Care	5	6	30	Improved budgetary controls; robust budget monitoring; improved commissioning arrangement. Children being are being supported to remain at home where safe. Services will be re-prioritised to meet the needs of the most vulnerable. Improved commissioning arrangements including cross borough work with WLA.	Management information reports track activity and identify trends, to which management are able to respond	4	6	24	↔	Early help projects will begin to deliver efficiencies in 2013/14. NRPF and homelessness pressures being monitored.	ongoing	Graham Genoni - Operational Director, Children Social Care
ASS4	Financial / Economic	Budget / Demand - by 2020 high level figures estimated that demand will increase budgetary requirements 26% based on projected movements in demographics and populations with people living longer.	Failure to deliver a more efficient cost effective service will result in overspending of budgets.	Phil Porter - Strategic Director Adult Social Care / Minesh Patel, Senior Finance Analyst, Adult Social Care	6	5	30	Demand levels are continuously monitored and regular modelling and forecasting will help to keep a close watch on the situation.	Financial pressures are regularly reported and monitored through Strategic Finance Group and High Level Monitoring panel.	5	3	15	↔	Changes to the way we deliver services and demand management strategies need to be put in place to protect the Council's Financial position. Routine monitoring and reporting arrangements are in place. Ongoing work is required to look at how to deliver the service differently for the department to be able to deal with projected increases in demand.	01/04/2014	DMT - ASC
S5	Legal / Political	The Council fails to comply with legal/statutory obligations including consultation and equality duty in implementing policy changes or failure to comply with	Increased dissatisfaction with council, increase in number of legal challenges and Judicial Reviews resulting in cost of defence and delay	Fiona Ledden Borough Solicitor	6	4	24	Area Consultative Forums; Brent Citizens Panel; User Consultative Forums; Equalities Issues reported to CMT on a quarterly basis. Regular monitoring by CMT. Equalities Statement	Consultation Board.	6	3	18		Contentious issues flagged up through surgery system. New guidance on Equalities to be issued.	Dec-12	
S9	Legal / Reputational	Failure to provide sufficient school places														
CF1	Legal/ Political /Socio Cultural /Reputational	Continuing shortage of primary school places and shortage of Secondary School Places	Council unable to discharge statutory duty to provide education. Reputation damage, legal challenge, increased health and safety risks	Sara Williams - Operational Director Early Help & Education	6	6	36	Lobbying Central Govt for additional funding; funding of £25m secured from central govt. to provide additional school places; Temporary expansions and Projects established to address shortfall; Regular reports to CMT& Executive to agree prioritisation of use of capital funding; Strategy Board meets on a regular basis ; Standing Agenda Item in Overview & Scrutiny Committee Meetings.	Regular monitoring by Overview & Scrutiny Committee; CMT & Executive.	6	4	24	↑	Continued lobbying and work with London Councils and Schools.	On-going	Sara Williams - Operational Director Early Help & Education
R&G3	Reputational; Economic / Socio Cultural	Inability to deliver enough school capacity through the Schools Capital Programme.	Council in breach of its statutory duty. Increasing numbers of children having to be educated out of Borough.	Richard Barrett Operational Director Property & Projects	5	6	30	Work with Children & Families Dept. to identify alternative education solutions  Scope to identify future funding/grant funding options	Schools Expansion Policy agreed by Executive	4	5	20	↔		On going	Richard Barrett - Operational Director Property & Projects / Rajesh Sinha - Principal School Organisation Officer

# KEY OPERATIONAL RISKS


ID	CAT.	RISK IDENTIFICATION		Risk Owner	Inherent (raw) risk			Existing Controls	Sources of Assurance	Residual (net) risk			Movement Indicator	Further Actions	Deadline	Responsible Officer	Movement since last
		(Describe risk and underlying cause)	(Consequences of risk maturing)		Impact	Likelihood	Risk Score			Impact	Likelihood	Risk Score					
Regeneration and Growth																	
Brent 16	R&G 6	Financial, Compliance, Reputational; Economic / Socio Cultural, Environmental, Personal Safety	Missing asbestos records for some Brent Schools	Council in breach of statutory duties. Fines from HSE, possible compensation claims from staff/pupils who worked in/attended these schools	Richard Barrett - Assistant Director Property and Asset Management	6	4	24	Existing electronic records inadvertently wiped . Discussion in hand to reengage John Bowtell to see if they can be recovered . Archive boxesw will be reviewed to see if paper copies are available.		6	3	18	New Entry	A need to review the role of HSL in maintaining records.  Steering Group set up to manage recovery project.  All existing paper records to be scanned and placed in an appropriate infostore site to be managed by Property and Projects.  Gaps in existing records to be filled as far as is possible from	On going	Richard Barrett - Operational Director, Property & Projects
	R&G10	Finanacial/ Reputational	Political pressure from local community/ groups affect ability to deliver the new Willesden Green Cultural Centre to budget and time	Centre not delivered on time will impact on ability to open library/customer services centre in south of borough	Andy Donald - Strategic Director of Regeneration & Growth	6	4	24	Clear lines of communication between R&MP teams, politicians and community  Well planned and executed consultation	Regular monitoring	5	3	15	↔	Effective PR management	On going	Richard Barrett - Operational Director, Property & Projects / Beth Kay - Regeneration Officer
	R&G 11	Service Delivery/Financial	Channel Migration targets are not achieved	Budgetary pressures mean that service delivery standards decline.	Paula Buckley	5	4	20	Customer Access Strategy agreed and BCS Business Plans include actions to achieve channel migration.		4	3	12		Contained in detail in BCS Business Plan.	Mar-15	Paula Buckley
	R&G 14	Reputational/ Personal Safety	Assualts on staff/customers due to the open nature of the Civic Centre Foyer	Possible extensive injury to staff or customers. Reputational risk of Civic Centre being seen as an unsafe place to visit. Financial impact on ability to hire out event spaces.	Richard Barrett - Operational Director Property & Projects	5	3	15	A - extensive security presence in public areas. B- extensive security camera surveillance of public areas. C- Non confrontational/pleasant environment D- proactive communications between service teams and security team about known customers who may present a risk when visiting the civic centre	Continual monitoring by FM Team and security sub group of the cc Stakeholder Group	5	3	15	New Entry	A- Periodic review of communications between service teams and security B- Change surveillance camera position in service corridor under grand staircase C- review door locking arrangements for rooms off service corridor.	On going	Richard Barrett - Operational Director Property & Projects
Children & Young People																	
CF2	Reputational / Political	Vulnerable children not adequately safeguarded.	Abuse, Death or injury of vulnerable persons. Reputational damage to Council.	Graham Genoni - Operational Director, Children Social Care	6	4	24	Safeguarding of Children Teams deal with child protection and safeguarding issues; Brent Local Safeguarding Children's Board; Safer Recruitment & Training; Whistleblowing; publicity; raising of awareness at Schools & community in general; Children & Young Persons Plans; Child Protection Arrangements; Strong partnership working with relevant agencies; High level monitoring meetings with Chief Executive; Corporate Parent Group; Auditing arrangements; Range of monitoring arrangements to track progress; Children & Families Overview & Scrutiny; Performance Information (quarterly scorecards); Timely reviews of Looked After Children	Recent Ofsted Inspection deemed that children were safe; Internal Service User Surveys; Internal Audit.	6	2	12	↔	Continuous Monitoring & Development; Safeguarding & Looked After Children Inspection Action Plan; Continued collaboration with relevant agencies.	On-going	Graham Genoni - Operational Director, Children Social Care	

ID	CAT.	RISK IDENTIFICATION (Describe risk and underlying cause)	IMPACT (Consequences of risk maturing)	Risk Owner	Inherent (raw) risk			Existing Controls	Sources of Assurance	Residual (net) risk			Movement Indicator	Further Actions	Deadline	Responsible Officer	Movement since last
					Impact	Likelihood	Risk Score			Impact	Likelihood	Risk Score					
CF6	Socio cultural & political	Changes to government policy/legislation	Changes in Welfare Reform. Influx of vulnerable families into the borough from other more expensive or inner London authorities or possible roll instability in schools because of families having to move out following housing benefit cap.	Anna Janes - Head of C&F Policy & Performance	6	6	36	Taking forward the Working with Families suite of One Council Projects. This will provide an effective Early Intervention Service to improve support for disadvantaged young people. Monitoring effects of benefit cap.	Regular monitoring by Project Boards and overall Strategic Group	6	4	24	↔	A total of 337 families have been identified to date and 144 families have been turned around. Additional workers are being recruited to step up the work.	On-going	Anna Janes - head of Children & Families Policy and Performance.	
CF8	Financial/ Reputational	Impact of Family Justice Review	Reputational arising from court delays and failure to meet govt targets. Financial arising from possible wasted costs order. Quality issues in relation to unnecessary delay for children.	Graham Genoni - Operational Director, Children Social Care	5	6	30	Robust planning mechanisms in place including partnership working with legal. Additional resource being deployed to address assessment requirements and track timeliness.		4	4	16	↓	Work with W London boroughs, mapping processes alongside legal dept, case manager option being explored. Initial analysis indicates significant improvements in timeliness of cases initiated since April 2013.	ongoing	Graham Genoni - Operational Director, Children Social Care	
<b>Adult Social Care</b>																	
ASS1	Legal/ Political /Socio Cultural / Reputational	Vulnerable persons (older persons; persons with physical & learning disabilities; mental health and other vulnerable adults) are not adequately safeguarded.	Abuse, Death or injury of vulnerable persons. Reputational damage to Council.	Yolanda Dennehy - Head of Reablement & Safeguarding, Adult Social Care	6	3	18	Safeguarding of Adults Teams deal with safeguarding issues. Safer Recruitment; training; Multi - Agency Policies and Procedures for Adults; ASC Transformation Programme; Reablement. Appointeeships/Deputyship arrangements in place after client needs have been assessed. Good links with Children's & Families and Legal to ensure robust adherence to safeguarding children's policies and procedures.	Care Quality Commission Inspections; Carers Survey; Internal Audit; Office of Protection.	6	2	12	↔	Ongoing training of staff in relation to safeguarding and consistent review of policies and procedures	ongoing	Yolanda Dennehy - Head of Reablement & Safeguarding.	
ASS3	Social / Community	Failure to engage with key partners across the public sector and other external organisations leading to not maximising collaborative working opportunities and cost reductions resulting in inefficiencies from service overlaps and duplications.	Inefficiencies from service overlaps due to duplication; gaps in service provision. Residents not met. Additional savings of £2.2m would need to be found by the Department if fail to intergrate with Health. Pressure on resources and potential for additional cuts in staff and services.	Phil Porter - Strategic Director, Adult Social Care / Assistant Chief Executive's Department (Public Health)	6	6	36	A business case is currently being developed. The Shadow Health & Wellbeing Board oversees intergration. Ongoing engagement with external key partners to discuss new ways of working	Shadow Health & Wellbeing Board,	6	3	18	↔	Continued discussions with key partners and pilot intergrated services being developed and trailed	01/04/2014	Phil Porter - Strategic Director, Adult Social Care	
ASS5	Financial / Compliance / Service Delivery	Failure of Contract Management / Monitoring	Poor / no service being delivered to service users. Budget overspends	Phil Porter - Strategic Director, Adult Social Care / Amy Jones, Head of Commissioning & Quality Services, Adult Social Care	6	4	24	We now have a dedicated commissioning function in place to strategically manage the provider market and we are reviewing and renegotiating existing service models and contractual arrangements.	New procurement protocols are in place and improvements are being made through the One Council programme.	6	3	18	↔	The commissioning function is subject to a review to ensure that the service is fit for purpose and protects the council's position.	01/04/2014	Amy Jones, Head of Commissioning & Quality Services, Adult Social Services	
ASS7	Regulatory/ Financial/Service Delivery	Not being able to meet the demand of carers as a result of the implementation of the Care and Support Act. Failure to comply with the Care & Support Act 2014 and provide support to carers.	Reputational risk and adverse publicity for failing to support carers. Budget pressures as more resources required to comply and provide support to carers. Increase in demand for assessments and the budget pressures due to carers being eligible to receive direct payments.	Helen Duncan Turnabul - Head of Support, Planning & Review	6	5	30	Carers Strategy agreed. Will help to identify carers and their needs and begin to develop arrangements to support their needs. Sponsor identified for project and work streams due to commence. Recent audit of carers and in annual accounts highlighted weaknesses which are the the process of being addressed.	Strategy is being overseen by Director of ASS. Project Sponsor is working on 3 workstreams to improve outcome for carers. Regular reports to Change & Improvement Programme Board,	5	4	20	New Entry	To try to establish potential volume of carers who may require services and begin to predict cost and resource implecation and develop plans for the future	30/12/2014	Helen Duncan-Turnabul - Head of Support, Planning & Review	
<b>Environment and Neighbourhoods Services</b>																	
EN1	Environmental / Economic	Effects of Climate Change not adequately planned for. Environmental Targets not met. Failure to understand and plan to mitigate the impact of and adapt to climate change. Failure to cope with severe weather events.	Negative impact on health & wellbeing of residents. Increase in energy costs and fees paid to the Environment Agency on Carbon Reduction Commitment Regulations and reputational risks for being at the bottom of the league table. Increase expenditure to make further adaptations and other levies.	Sue Harper - Strategic Director of Environment & Neighbourhoods	6	4	24	Climate Change Strategy & Action Plan; Travel Plans; Recycling Schemes; Civic Centre; Climate Change Pledge; Waste Strategy, Carbon Management Programme and the Council's Green Charter.	Internal Audit - CRC Readiness Report. Audit by Environment Agency. Progress on Green Charter is reported to members	6	3	18	↔	N/A	Ongoing	Ceridwen John - Environment Projects & Policy Manager	
EN2	Legal / Reputational / Environmental	Major or large scale incident (accident; natural hazard; riot) business interruption affecting Council's resources and its ability to deliver critical services. Risk to safety of staff / Loss of staff.	Service delivery disruption and impact on the Council's ability to deliver critical services.	Christine Gilbert-Chief Executive; Sue Harper - Strategic Director of Environment & Neighbourhoods	6	4	24	Community Resilience; Civil Contingencies Register; Emergency Planning	Emergency Planning & Business Continuity	5	3	15	↓	Regular review and assessment of robustness of plans.	Ongoing	Martyn Horne - Head of BCP, Env & Neighbourhood	

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					Impact	Likelihood	Risk Score			Impact	Likelihood	Risk Score					
EN4	Financial/Reputational	Failure to meet 50% recycling target by March 2014.	50% target now unlikely to be met. Will not affect the achievement of the savings target due to lower landfill tonnage and subsequent costs.	Sue Harper - Strategic Director of Environment & Neighbourhood	4	5	20	Communication plan to engage with residents to ensure effective use of the service on an on-going basis. Recycling and environment officers continue to monitor performance. The One Council 'Managing the Public Realm' project has work streams to minimise waste and improve recycling.	Robust and timely monitoring of performance by DMT and by Corporate Financial Steering Group. The OC project identify and report any	4	5	20	↓		On-going	Chris Whyte - Head of Recycling & Waste	
EN8	Legal/Reputational /Environmental	Systems, processes and communication not in place to facilitate effective mobilisation of Public Realm contract which includes BHP. The contract affects universal services such as refuse collection; grounds maintenance and cemeteries. The commencement of the contract is in April 2014 and coincides with the run up to the Council election in May 2014.	Failure to deliver services. Negative impact on health and wellbeing of residents as a result of refuse not collected, dirty streets, open space and delays in burial.	Sue Harper - Director of Environment & Neighbourhood	6	4	24	Develop and fully test mobilisation plan and encumbrance contractor.	Project Board to review and sign off at each stage of the plan	4	3	12	↔		Apr-14	Jenny Isaac - Operational Director, Neighbourhood Services	
EN9	Legal Reputational Environmental	Systems and processes specified in the newly implemented Parking contract aren't yet working as planned	Failure to migrate to the required parking model for optimising productivity may lead to loss of income and damage to Council's reputation (now an issue, rather than a risk)	Sue Harper - Strategic Director of Environment & Neighbourhoods	5	5	25	Leadership and governance with deadlines set for completion of each task.	Project Board to review and sign off each stage of the plan.	5	5	25	New Entry	Operational Director to meet with contractor's senior management team to resolve issues.		Michael Read - Operational Director	
<b>Finance</b>																	
FD1	Economic / Reputational	Increased acts of significant fraud or corruption due to economic down turn.	Financial Loss and damage to Council's reputation.	Mick Bowden- Deputy Director of Finance	6	4	24	Anti-Fraud Framework; Whistleblowing Policy; Staff Code of Conduct; Audit & Investigations Unit; Conflicts of Interests Policy; Gifts and Hospitality Policy;	Audit & Investigations Reports / Investigations. NFI; Audit Commission	6	3	18	↔	Ari-Fraud Culture promotion; fraud training across the Council and to external organisations.	31/03/2014	Simon Lane - Head of Audit & Investigations	
FD2	Financial	Failure to produce medium term financial strategy to address budget gap of £55m for 2014/15-2016/17	Inability to take planned approach to managing Council's services in times of reduced funding and significant legislative changes	Conrad Hall - Chief Finance Officer	6	4	24	Process to update MTFs has been developed and initial meetings being held	Existing MTFs approved by Council and senior political and officer commitment to the process	5	3	15	↔	PCG awayday in September to formulate initial 14/15 budget proposal. Will lead to Feb Exec recommendation plus Council decision in March 2014	31/03/2014	Mick Bowden - Operational Director, Finance	
FD4	Financial, Reputational	Pension Fund valuation position does not improve	Increasing drain on Council resources	Conrad Hall - Chief Finance Officer	5	5	25	Strategic asset allocation review undertaken and implemented. Pension Fund valuation being finalised with a credible plan to bring funding level to 100% over next 22 years.	Monitoring of individual fund and overall fund performance	5	3	15	↓	Implementation of valuation outcome. Review of strategic asset allocation to optimise balance of risk/return on the Pension Fund	31/03/2014	Mick Bowden - Operational Director, Finance	
FD5	Technological/ Reputational	ICT systems failure/ severe or prolonged failure of ICT capability across the Council / breach of IT security either external or significant data loss by staff. Denial of Access. Proximity of new Civic Centre to Wembley Stadium - would take a major threat at the Stadium to have a significant impact on the Council's ICT capabilities.	Service delivery disruption. Financial penalties. Serious damage to Council's reputation.	Stephan Conaway - Operational Director ICT	6	5	30	ICT Strategy; Disaster Recovery Plans place; ICT projects to improve technical infrastructure (info store; OnePrint etc.); Information Governance ; S Access to Information Policy. IT Steering Group.	Test Results from Disaster Recovery Plans. IT Audits, Incident management process	6	4	24	↔	Security Policies & Protocols in need of review and revision.;	Ongoing	Stephan Conaway - AD, Information Technology.	
<b>Legal &amp; Procurement</b>																	
LP4	Financial / Reputational / Legal	Non-compliance with EU Procurement Regulations in the letting of Contracts	Financial loss from cost of Legal challenge from unsuccessful tenderers; reputational damage	Gary Salterpicco - Procurement Manager	6	4	24	Contract Standing Orders; Blue Book Requirement; Involvement of qualified staff within Procurement Team in the letting of all significant contracts across the Council; training provided to departments on Procurement regulations etc.	Internal Audits of major contracts; regular advice from legal contracts team; regular liaison between procurement and legal contracts team	6	3	18	New Entry	Training across the Council from procurement colleagues; updated and accessible information on the intranet site covering all aspects of procurement and tendering, category managers attending department management teams on regular basis	Apr-14	Gary Salterpicco - Procurement Manager	
LP8	Legal/Reputational	Successful Judicial Challenge against the authority by way of Judicial Review or other litigation	Reputational risk to the authority and inability to progress with strategic objectives of the organisation; potential cost to the Council if costs order made against the authority	Fiona Ledden - Director of Legal & Procurement	6	4	24	legal advice given at CMT; Executive and PCG, clear advice given on potential areas of challenge and any litigation commenced	Advice given to members and involvement of legal department from commencement	6	3	18	New Entry	Monitoring process of decision making to include proactive advice on issues such as equality impact analysis and considering how decisions are made, obtain expert advice on key problem issues as required.	Apr-14	Fiona Ledden - Director of Legal & Procurement	

ID	CAT.	RISK IDENTIFICATION	IMPACT	Risk Owner	Inherent (raw) risk			Existing Controls	Sources of Assurance	Residual (net) risk			Movement Indicator	Further Actions	Deadline	Responsible Officer	Movement since last
		(Describe risk and underlying cause)	(Consequences of risk maturing)		Impact	Likelihood	Risk Score			Impact	Likelihood	Risk Score					
LP10	Legal/Reputational	Increased volume of employment law cases following increased activity in following employment procedures and taking appropriate action for performance issues	Reputational risk to the authority, risk of tribunal making compensation awards to individuals	Fiona Ledden - Director legal & Procurement/Andy Potts - Senior Employment Lawyer	4	4	16	Training undertaken with Senior Managers by legal and HR. Increased skills level for recording disciplinary hearings, and ensuring compliance with procedures including staff appeals and grievances	Advice given to staff appeals and at disciplinary hearings	4	4	16	New Entry	Training provided for those undertaking investigations to include training on witness skills, legal advice to be provided to senior managers involved in disciplinary activities	Apr-14	Fiona Ledden - Director legal & Procurement/Andy Potts - Senior Employment Lawyer	



 <b>Brent</b>	<b>Audit Committee</b> 19 March 2014  <b>Report from the Chief Finance Officer</b>
For Information <span style="float: right;">Wards Affected: ALL</span>	
<b>Internal Audit Progress Report 2013/14</b>	

## 1. Summary

- 1.1. This report presents a summary of the work of Internal Audit and the Investigations Team from 1st April 2013 to 28<sup>th</sup> February 2014. The appendix provides further details of audit reports issued.

## 2. Recommendations

- 2.1. That the Audit Committee notes the progress made in achieving the 2013/14 Internal Audit Plan and the review of fraud work.

## 3. Detail

### Internal Audit - Progress

- 3.1. The Internal Audit Plan for 2013/141 comprises 1,248 days, including 48 days brought forward from the previous year which were not delivered. The majority, 953 days, of the plan is delivered through Mazars Public Sector Internal Audit Limited called off from a framework contract procured by Croydon Council. A small in-house team deliver a further 295 days.
- 3.2. As at 28th February 2014 a total of 888 (71%) days have been delivered against the plan. At a similar point last year some 84% had been delivered and the

majority of the key financial systems audit work was already in progress during quarter 3.

3.3. In the current year, as a result of the delays in the implementation of the One Oracle Financial System, the main financial systems audits (Accounts Receivable; Accounts Payable; General Ledger and Payroll) have had to be delayed and replaced with other audit work in quarter 4. The original audit plan, agreed by the Audit Committee in March 2013<sup>1</sup> has been subject to amendment. Where projects are removed or deferred, the consequent available resource is allocated to new projects. The key changes to the plan are set out below:

- Key Financial Systems – Additional 25 days added to plan for testing both pre and post migration transactions on Oracle (accounts payable, receivable, general ledger and payroll)
- Sexual Health Contracts - 10 day audit removed and to be covered as part of Public Health Grants to Voluntary Organisations.
- Placements – 25 day audit added to at the request of management
- Brent Foster Carers – 12 day audit added to plan at the request of management although . This audit has now been postponed to the 2014/15 financial year due to delays in the implementation of a new payments system.
- Kingsbury Resource Centre – 10 day audit added to plan at the request of management.
- Private Nurseries – 25 day audit added to plan as a result of two fraud enquiries.
- Highways Maintenance - Deferred by Audit and Investigation due to other projects being required
- Vale Farm Contract – Removed from plan as contract re-let in November 2013 and Ealing Council will be responsible for contract management.
- Procurement – Audit deferred due to delays in the implementation of One Oracle Category Management.



- Ward Working - 15 days replaced by an audit of Grants to Voluntary Organisations due to issues highlighted as a result of another audit.
- Appointeeship & Deputyship account balances verification work – 20 days added to plan due to earlier investigation work.
- Safeguarding Adults audit – 15 days removed from plan due to delays in completion of two projects.
- Tudor Gardens Residential Home audit – added to plan as replacement for safeguarding audit.
- Parking Audit – 20 days removed from plan due to restructure within Environment & Neighborhoods. Audit will now be undertaken in 2014/15.
- John Billam Centre & New Millennium Day Care Centre establishment audits – 20 days replacement for parking audit.
- Community Infrastructure Levy – 10 days added to plan so that this can be undertaken as a separate audit from the S106 audit due to the deferring regimes and requirements.

3.4. The original audit plan contained 75 projects with an identifiable deliverable. Changes in year have resulted in the number of deliverables increasing to 78. To date, 44 draft and final reports have been issued, representing 55% of the total. It is normal for a quantity of reports due for the year to be issued after year end during April and May and Resources are available within the internal audit contractor to recover the position. However, successful delivery assumes that auditees are able to respond to requests for information within appropriate timescales. The status of original and revised projects on the current plan is set out in table 1 below:

Audit	Days in the plan	Revised Days	Total days delivered	Progress	Assurance Opinion/ Direction of Travel	Recommendations made Priority			Issue Date
						1	2	3	
CROSS COUNCIL / CORPORATE AUDIT									
Disclosure & Barring (formerly CRB checks)	20	25	25	WIP					
Sickness & Absence Management	20	20	18	WIP					
Business Continuity Planning & Emergency Planning	10	10	10	Final Report	Limited (Improved)	1	4	2	12/09/2013
GPC Cards	20	0	0	Withdrawn by A&I due to in depth cross council testing and system recommendations by investigation team following fraud enquiry					
Corporate Income Collection Arrangement (Original focus was cemeteries and mortuary income)	10	10	1	Due in Q1 but postponed to Q4 due to change in focus of audit following change in responsibility for area and corporate arrangements now in place at the Civic Centre. Initial planning meeting held.					
CROSS COUNCIL / CORPORATE Total	80	65	54						
FINANCE									
Accounts Payable	15	0	0	Removed from 2014/15 plan					
Accounts Receivable	15	0	0	Removed from 2014/15 plan					
General Ledger	15	0	0	Removed from 2014/15 plan					
Pension Fund Investments	10	10	10	Final Report	Substantial (Unchanged)	0	4	1	13/11/2013
Governance Risk & Compliance Oracle Module	6	5	0	Lack of progress in developing module					
One Oracle Project (SME and FIT Meeting attendance)	5	9	7	Advisory					
Insurance	15	15	15	Final Report	Limited (Deteriorated)	9	5	1	13/11/2013
Pre-Migration Audit - (AP/AR/GL/HR/Payroll)	0	25	23	File Review in Progress					
Finance Total	81	64	55						
CHILDREN AND YOUNG PEOPLE									
Christchurch	10	0	0	Deferred to 2014/15 at request of school					

Mount Stewart Junior	10	10	10	Final Report	Substantial	4	6	4	03/12/2013
Our Lady of Grace Infants	10	11	11	Final Report	Substantial	2	10	4	13/01/2014
Our Lady of Grace Juniors	10	10	10	Final Report	Substantial	4	13	2	19/11/2013
Woodfield	10	18	18	Final Report	Limited	9	19	1	29/11/2013
Michael Sobell Sinai	10	0	0	Deferred to 14/15 at request of school					
Byron Court	10	13	13	Final Draft Report	Limited	4	13	5	12/09/2013
Manor Day	10	10	10	Draft Report	Substantial	2	9	5	14/02/2014
Copland	10	0	0	Removed from plan due to academy proposals					
Braintcroft	10	10	10	Final Report	Substantial	4	9	1	15/01/2014
Harlesden	10	10	0	Due Q3 deferred to Q4 due to staff illness					
Kingsbury Green	0	10	10	Final Report	Substantial (Improved)	2	7	4	04/02/2014
Malorees Infants	10	0	0	Deferred to 2014/15 at request of school					
Our Lady of Lourdes	10	10	10	Final Report	Substantial (Improved)	1	4	6	02/10/2013
Donnington	10	10	10	Final Report	Substantial	2	6	4	23/07/2013
Fryent	10	15	15	Draft Report to be issued	Substantial	5	15	1	
Northview	0	10	10	Final report	Substantial (Unchanged)	2	4	2	26/02/2014
Mount Stewart Infants	0	10	10	Final Report	Limited	6	7	4	30/01/2014
1* School	0	10	0	To be booked for Q4					
Other School Issues / Training	0	10	7	Ongoing					
Follow up work for the schools with Limited Assurance	20	30	20	Ongoing	Non Assurance Work				
Frameworki (migration from various miscellaneous systems)	20	0	0	Due Q1 but replaced with two separate projects in light of system developments					
Troubled Families Programme Systems	15	0	0	Not done due to systems issues being picked up as a result of certification work					
Capital Grant Funding for Nursery Places for 2 Year Olds	5	5	5	Complete	Non Assurance Work				31/05/2013
Gordon Brown Education Centre	10	10	10	Draft Report to be issued.	Substantial	2	4	1	
Single Commissioning Unit (Children and Adult Social Services)	5	0	0	Withdrawn as the project has not progressed					

Troubled Families Grant Claim Certification Families Worked with June 2013	0	5	5	Claim certified					15/7/2013
Troubled Families Grant Claim Certification Families Worked with August 2013	0	5	5	Claim certified					23/8/2013
Troubled Families Grant Claim Certification Payment By Results August 2013	0	5	5	Claim certified					23/8/2013
Troubled Families Grant Claim Certification Payment By Results October 2013	0	6	6	Claim certified					25/10/2013
Troubled Families Grant Claims January 2014	0	12	12	Claim certified (To include additional time spent on the remaining grant claims throughout the year and advice provided to the team)					14/02/2014
Frameworki purchasing	0	12	12	Final Report	Limited	5	2	2	09/08/2013
Frameworki payments	0	11	11	Final Report	Not applicable				10/12/2013
Placements	0	28	2	Due Q3, WIP but delayed due to restructure within dept. Now Work in Progress.					
Brent Foster Carers	0	0	0	Not going to take place due to implementation of new processes and systems.					
Nurseries	0	25	14	Work In Progress					
Frameworki Board Advisory	0	3	3	Attended Board meetings.					
<b>C&amp;F Total</b>	<b>225</b>	<b>328</b>	<b>246</b>						
<b>ADULT SOCIAL SERVICES</b>									
Safeguarding	15	0	0	Audit now not undertaken due to the implementation of new systems. Will now be undertaken in 2014/15. Replaced by Tudor Gardens (Residential Care).					
Transitions Team (14-25 year old)	15	15	1	Delayed due to team restructuring. Planning meeting held and due to commence at the end of March.					
Sexual Health Contracts	10	0	0	Transferred to Contingency as to be covered as part of Public Health Audits - Grants to Voluntary Organisations					
Carers Audit	10	10	10	Final Report	Limited	5	2	1	04/12/2014
Kingsbury Resource Centre	0	10	10	Draft Report	Limited	7	7	3	
John Billam Resource Centre	0	10	0	Booked in March 2014					
New Millennium Day Care Centre	0	10	0	Booked in March 2014					
Tudor Gardens	0	15	0	Work to commence w/c 3 <sup>rd</sup> March 2014					

Appointeeship & Deputyship 2012/13 accounts verification	0	20	0	Q4					
Soft Box - Migration of Data on Abacus to Frameworki	10	12	12	Final Report	Limited	3	3	1	10/12/2013
Adult Social Services Total	60	102	33						
ENVIRONMENT & NEIGHBOURHOOD (E&N)									
Parking	20	0	0	Withdrawn					
Highways Maintenance	15	0	0	Deferred to 14/15 by A&I					
Recycling & Waste	10	10	10	Final Report	Limited	1	1	0	26/06/2013
PFI - Street Lighting review of energy consumption data	5	3	3	Ill defined scope by management, project withdrawn by A&I during course of audit					
Vale Farm Contract	10	0	0	Due Q3, but withdrawn due to change in responsibility for contract management, now with LB Ealing. Needs different scope in 14/15.					
E&N Total	60	13	13						
HUMAN RESOURCES									
Payroll systems audit	20	0	0	Deferred to 2014/15 due to delay in implementation of oracle					
LEGAL AND PROCUREMENT									
Procurement	15	0	0	Deferred to 2014/15 due to delay in implementation of oracle					
Members expenses and allowances	8	8	8	Final Report	Substantial (Deteriorated)	0	1	2	06/08/2013
Freedom of Information	10	20	20	Revised Draft Report issued	Limited	5	9	0	31/01/2014
G & CS Total	53	28	28						
REGENERATION & GROWTH (R&G)									
Capital Projects (contract audits)	30	30	10	Work in Progress					
Civic Centre Project - Final Accounts	15	0	0	Deferred to 14/15					
Homelessness and Temporary Accommodation/ Housing Allocations	20	20	10	Work in Progress					
S106	10	10	8	Work in Progress					
Community	0	10	2	Work in Progress					

Infrastructure Levy									
Council Tax	15	15	15	Draft Report	Substantial (Unchanged)	0	3	4	18/02/2014
Local Council Support Scheme (formerly Council Tax Benefit)	12	12	12	Draft Report	Substantial	1	5	2	
National Non Domestic Rates (NNDR)	15	15	15	Draft Report	Substantial (Unchanged)	1	3	2	25/02/2014
Use of NNDR Funds	5	5	0	Q4					
Housing Benefits / Discretionary Payments	20	25	23	Management Review in Progress					
R&G Total	142	142	95						
ASSISTANT CHIEF EXECUTIVE'S PORTFOLIO									
Data Quality	10	10	10	Draft Report	Substantial	1	3	1	13/11/2013
Complaints	10	16	14	Management Review in Progress					
Ward Working	15	0	0	Due Q1 but replaced with Grants to Voluntary Organisations in Q4					
Grants to Voluntary Organisations	0	10	0	Q4 Audit Planning meeting on 26 February 2014					
Payments to Public Health Contracts (Transfer of responsibilities from PCT to Council )	10	0	0	Replaced with Grants to Voluntary Organisations (Public Health)					
Grants to Voluntary Organisations (Public Health)	0	15	0	Q4 Planning meeting in March 2014					
Public Health Contract Management (Stop Smoking)	25	30	13	Work in Progress					
Public Health Board	0	5	4	Ongoing					
ACEP Total	70	86	41						
IT Audits (132 Days)									
Oracle - Pre Implementation	10	16	16	Draft Report	Substantial	0	4	1	27/02/2014
Oracle - Post Implementation	8	0	0	Withdrawn as One Oracle is not due to go live in 2013/14					
Migration of Appointeeship and Deputyship (Abacus, ResFunds, Quicken)	10	14	14	Final Report	Limited	1	2	0	18/12/2013
View 360	10	10	10	Final Report	Substantial (unchanged)	0	4	0	11/12/2013

Infostore - Apps Sharepoint Implementation	10	10	0	Draft Report	Limited	0	7	0	28/01/2014
Academy	10	10	10	Final Report	Substantial (Unchanged)	0	4	3	20/09/2013
Telecommunications (telephony with iphones and also to include Ipads Security and management)	15	20	5	Work In Progress					
I Pads Security and Management *	8	0	0	Now included in Telecommunications audit					
Network Infrastructure	20	15	8	Work In Progress					
Remote Access	12	10	6	Work In Progress					
Follow Up	8	8	5	On going					
Planning for 13/14 audit	1	1	1	Complete					
IT Total	122	114	75	*10 days included in BHP Audit Plan					
OTHER									
Risk Management	15	15	10						
Governance & Audit Planning 2014/15	13	14	6						
Consultation, Communication and Reporting (Deloitte)	55	55	50						
Follow-Up	45	45	30						
A&I Office Move and archiving	10	15	15						
Advice on Internal Controls	0	2	2	Advice on I-Expense and other new system implementation.					
Contingency	19	4	0						
OTHER Total	157	150	113						
BRENT HOUSING PARTNERSHIP (BHP)									
Housing Repairs and Maintenance	12	12	0	Q4 Planning meeting requested					
Housing Rents	8	8	8	Final Report	Substantial (Unchanged)	0	4	2	10/12//2013
Major Works Contracts	10	10	2	Work In Progress					
Financial Management	12	0	0	Replaced with Key Financial Systems Transactions Testing					
Key Financial Systems	0	12	11	File Review in Progress					

Transactions Testing - AR/AP/GL & Payroll									
Rent Arrears Management	12	12	9	Work in Progress					
Budget Management	0	8	8	Draft Report	Substantial	0	3	0	25/02/2014
Treasury Management & Investment	8	0	0	Replaced with Budget Management					
Voids and Disrepair	10	12	12	Draft Report	Limited	11	6	2	27/01/2014
Fire Safety	12	12	12	Final Report	Limited	1	3	0	18/12/2013
Gas Safety				Final Report	Full (Unchanged)	0	0	0	18/12/2014
Management of Non Brent Properties	12	12	9	Work in Progress					
Resident Involvement	12	12	11	File Review in Progress					
Leasehold Management and Service Charges	12	12	10	Work in Progress					
V5	10	0	0	Replaced with One Oracle Pre-migration audit below					
One Oracle Pre- Migration	0	10	10	Draft Report	Substantial	1	4	1	27/02/2014
Management and Follow up	20	18	15						
BHP Total	150	150	117						
Total	1200	1248	888						

**Table 1 – Planned Projects and Progress as at 28/02/2014**



3.5. A summary of progress is set out in table 2 below:

<b>Delivery Status</b>	
Total days in the plan	1248
Number of days delivered to date	888
% of days delivered to date	71%
Days to be delivered	360
Total number of reports to be delivered in current plan	78
Number of draft/final reports/certifications issued to date	44
% of reports issued to date	56%

**Table 2 – Delivery Status as at 28/02/14**

## Fraud - Housing Benefit

- 3.6. Caseload information is set out in table 3 below. In summary, the team has completed full investigations into 81 cases and identified fraud in 51 of these. 22 individuals have been prosecuted and 16 have had an administrative penalty applied (of up to 30% of the value of the overpayment). Overpayments are being recovered in these and 13 additional cases where no sanction was applied. The total value of fraud overpayments identified by the team is in excess of £1.3m.

HB Fraud	20013/14 Quarter 1	20013/14 Quarter 2	2013/14 Quarter 3	2013/14 Year to date	20012/13
Referrals	152	198	159	509	666
Closed	213	413	175	801	622
Passed to other agency	37	31	29	97	N/A
Screened Out	147	356	120	623	432
% screened	69%	86%	69%	78%	69%
Investigated	29	26	26	81	190
Fraud Found	17	17	17	51	121
Hit Rate	58%	65%	65%	63%	64%
Caution	0	0	0	0	0
Admin Penalty	8	4	4	16	34
Prosecution	8	7	7	22	28
Total Sanctions	<b>16</b>	<b>11</b>	<b>11</b>	<b>38</b>	<b>62</b>
Summons Only	0	0	0	0	4
Overpayment Only	1	6	6	13	43
Value of HB/CTB fraud	£477,000	£203,000	£280,000	£960,000	£1,786,000
Value of DWP fraud	£226,000	£27,000	£92,000	£345,000	£666,000
Total value of fraud	£703,000	£230,000	£372,000	£1,305,000	£2,452,000

**Table 3 – HB Fraud Q2 2013**

### Housing Tenancy Fraud

- 3.7. Caseload information is set out in table 4 below. In summary the team have completed 204 investigations and recovered 41 properties, primarily as a result of identify unlawful sub-letting.

Housing Fraud	2013/14 Quarter 1	2013/14 Quarter 2	2013/14 Quarter 3	2013/14 Year to date	2012/13
Referrals	101	32	57	190	206
Closed	84	73	61	218	227
Screened Out	6	6	2	14	5
Investigated	73	67	59	204	222
Fraud Found	12	22	10	44	59
Recovered Property	10	21	10	41	57
RTB Stop	0			0	0
Application refused	0			0	1
Property Size reduced	2	1		3	1

**Table 4 – Housing Fraud Q3 2013/14**

### Other External Fraud

- 3.8. The most prevalent area of activity in this category relates to Blue Badge forgery and misuse. There have been 10 prosecutions since April 2014 and 16 other sanctions. for Blue Badge offences. Caseload data is shown in table 5 below:

Internal	2013/14 Quarter 1	2013/14 Quarter 2	2013/14 Quarter 3	2013/14 Year to date	2012/13
Referrals	19	27	11	57	65
Closed	18	21	12	52	40
Screened Out	1	0	2	2	2
Investigated	17	21	7	47	31
Fraud / Irregularity	10	16	8	33	12

**Table 5 – Other External Fraud Q3 2013/14**

### Internal Fraud

- 3.9. 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, serious breach of financial regulations or the staff code of conduct. Since the beginning of the financial year, 11 staff have been dismissed for the following reasons: Working and claiming benefit; working whilst off sick; false overtime claims (school); conflict of interest; illegal working and theft (contractor). Activity for the year to date is shown in table 6 below:

Internal	2013/14 Quarter 1	2013/14 Quarter2	2013/14 Quarter 3	2013/14 Year to date	2012/13
Referrals	12	8	15	35	47
Closed	8	5	17	30	42
Screened Out	0	0	1	1	1
Investigated	8	5	16	29	41
Fraud / Irregularity	2	3	10	15	18
Dismiss	2	2	7	11	5
Resign	0	0	1	1	10
Warning	0	1		1	2

**Table 6 – Internal Fraud Q3 2013**

## **General Fraud Issues**

- 3.10. The Audit and Investigation Team has been the subject of a restructuring which has been finalised. The three specialized investigation teams have been reduced to two generic teams who will work across all fraud types. Three senior manager posts have been replaced by a single manager and two team leader roles.
- 3.11. The DWP have confirmed their intention to transfer housing benefit investigators from local government into the DWP. This will mean that the council will no longer have responsibility for housing benefit fraud. A timetable is due to be published by the DWP in April which will determine the date of transfer for Brent staff. This could be as early as October 2014 or up to March 2016. The implications for staff will not be known until the DWP have set out their exact proposals and what transfer and funding arrangements will apply.

## **4. Financial Implications**

- 4.1. The total value of the contract is £300,000 in the current year and is funded within the Audit and Investigations base budget. If the total number of audit days attributable to Mazars is less than the 905 days allocated, then the total amount paid will reduce accordingly

## **5. Legal Implications**

- 5.1. None

## **6. Diversity Implications**

- 6.1. None

## **7. Background Papers**

1. Report from the Director of Finance and Corporate Services – Draft Internal Audit Plan 2013/14, Audit Committee 30<sup>th</sup> March 2013

## **8. Contact Officer Details**

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

**Conrad Hall**

**Chief Finance Officer**



**Internal Audit  
3<sup>rd</sup> Progress Report 2013/14  
London Borough of Brent  
March 2014**

## Contents

## Page No

Executive Summary	1
Detailed summary of work undertaken	4
Follow-Up of Previously Raised Recommendations	13
Appendix A – Definitions	14
Appendix B – Audit Team and Contact Details	16








## Executive Summary

<b>Introduction</b>	This report sets out a summary of the work completed against the 2013/14 Internal Audit Plan, including the assurance opinions awarded and any high priority recommendations raised.
<b>Summary of Work Undertaken</b>	<p>10 final reports have been issued since the last committee meeting relating to the following areas, with further details of these provided in the remainder of this report:</p> <ul style="list-style-type: none"><li>• Pension Fund Investment</li><li>• Insurance</li><li>• Mount Stewart Junior</li><li>• Our Lady of Grace Infants</li><li>• Braintcroft</li><li>• Kingsbury Green</li><li>• Northview</li><li>• Mount Stewart Infants</li><li>• Fire Safety (BHP)</li><li>• Gas Safety (BHP)</li></ul>




### 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 
<b>2011/12</b>	-	42% (22)	50% (26)	8% (4)
<b>2012/13</b>	4% (2)	61% (33)	31% (17)	4% (2)
<b>2013/14</b>	(0)	59% (13)	41% (9)	(0)

#### Direction of Travel

	Improved 	Unchanged 	Deteriorated 
<b>2011/12</b>	5	4	2
<b>2012/13</b>	3	4	3
<b>2013/14</b>	3	4	2

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

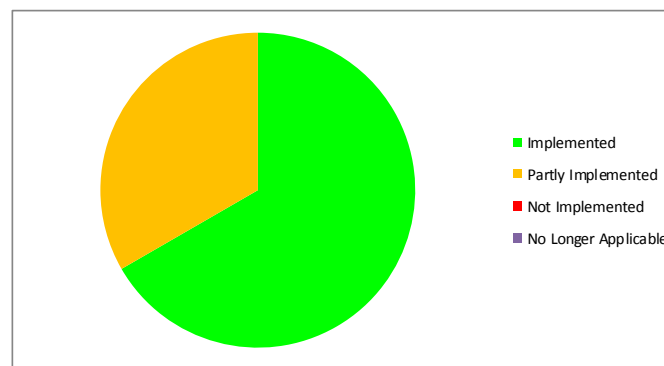
### Follow-Up of Previously Raised Recommendations

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, 100% had either been fully or partly implemented, or are no longer applicable due to changes in the scope of operations. Of the priority 1 recommendations, 100% had either been fully or

partly implemented.






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
<b>General and Computer Audits</b>	
Pension Fund Investment	
One Oracle – Pre Implementation	
<b>SCHOOLS</b>	
Kingsbury Green	
Northview	
Mount Stewart Junior	

Audit	Assurance Opinion and Direction of Travel
Our Lady of Grace Infant School	
Braintcroft	
<b>BHP</b>	
Gas Safety	  
One Oracle – Pre Implementation (BHP)	

## 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, for which the details are reported separately to the BHP Audit & Finance Sub-Committee.

### Insurance

Under the Brent Insurance Management Buildings Policy, all buildings owned by the Council, in all service areas are insured. The cover is underwritten externally for individual losses in excess of £303,900 (casualties) and £500,000 (properties) and total annual losses in excess of £3.5m. For claims below these amounts the policy is self-funded, with claims being met from the Council's Insurance Fund.

Claims made against the Council are initially dealt with by the Insurance Team. The relevant Service Area is then informed to gather information. Claims relating to personal injury where the Principal Insurance Officer does not believe the Council has a defence are submitted to one of three external companies (Cunningham Lindsey UK, Ufton, and Crawford & Co who make a recommendation on whether or not to accept liability. About 60% of all claims related to personal injuries in 2012 are repudiated. For any other claims, officers within the Insurance Team are responsible for determining whether or not to accept the liability and apply the compensation in accordance with the Council's policy. Approximately 65% of claims are handled by the Insurance Team. For personal injury claims, although the external company makes a recommendation, the insurance team (Finance) are ultimately responsible for making the decision.

The key issues identified relate to the implementation of an Insurance Strategy; insurable risks being assessed as part of the insurance contract renewal process; service areas informing the Insurance Team of acquisitions and disposals; reinstatement valuations being carried out on Council properties; an actuarial review; a Scheme of Delegation being implemented for the Insurance Team; completing all required details about claimants; and a reconciliation taking place between the Oracle payments system and the LACHS (Local Authority Claims Handling Service) system.

The Direction of Travel provides a comparison with any prior audit visit. In this case the arrow indicates that the assurance opinion has deteriorated since the previous audit when a 'substantial' opinion was given in 2009/10. Of the twelve recommendations raised in 2009/10, three have been implemented, four have been partly implemented, and five have not been implemented.

Nine priority 1, five priority 2, and one priority 3 recommendations were raised.



Recommendation	Management Response / Responsibility / Deadline for Implementation
<p>The draft Insurance Strategy should be reviewed by senior management and a relevant Committee and / or Executive. Input should be sought from the Head of Audit and Investigations in respect of the Anti-Fraud Strategy contained within the Brent Insurance Strategy. This should be co-ordinated with the Council's Corporate Anti-Fraud and Bribery Policy.</p> <p>Once approved, this should be made available to all relevant officers and it should be reviewed on a regular basis.</p>	<p>Agreed.</p> <p>The strategy is currently being finalised and will be approved and distributed once this has occurred.</p> <p>Dave Huberman – Finance Manager February 2014</p>
<p>The identification of insurable risks and the development/review of an insurable risks register should be made an annual process. The insurable risks register should be reviewed and formally approved by Members and the review of the register should be used to assist the tendering/renewal of the Council's Insurance Cover.</p> <p>Evidence should be maintained of the annual review of these risks.</p>	<p>Agreed.</p> <p>Insurance risks are set out in the risks register. This will be developed further in partnership with relevant service areas.</p> <p>Dave Huberman – Finance Manager Joe Delaney – Principal Insurance Officer July 2014</p>
<p>A Scheme of Delegation should be implemented and maintained by the Insurance Team which states the delegated responsibilities for insurance claims.</p> <p>The Scheme of Delegation should include but not be limited to: review and authorisation of claim decisions by a senior manager, and the authorisation to amend/renew the insurance cover by a senior manager.</p> <p>As part of the review, data input, and documents held on LACHS should be checked to ensure that all required information about the claimant and all required documents are captured on the system.</p>	<p>Agreed.</p> <p>A scheme of delegation with approval limits will be agreed and implemented in January.</p> <p>Dave Huberman – Finance Manager End of January 2014 Application Support Team Leader/ 30<sup>th</sup> September 2013</p>

Recommendation	Management Response / Responsibility / Deadline for Implementation
<p>This review should include but not limited to checking that all claimant's name, address, date of birth, and NI number (for personal injury claims) and evidence of verification checks carried out are on the system.</p> <p>Where management determines that review and approval of all decisions made by the Principal Insurance Officer will cause resource constraints on the manager, they may do this on a sample basis and also define a financial limit. However, such an approach should be kept under review to ensure that the level of residual risk remains within the Council's risk tolerance.</p> <p>A copy of the Scheme of Delegation including specimen signatures should also be retained by Finance so that the financial authoriser only approves claim settlement payments if the decision has been approved by the authorised officer.</p> <p>The Scheme of Delegation should be reviewed and updated on a regular basis to take account of changes in personnel.</p>	
<p>All service units and directors/managers should be reminded of the need to notify the Insurance Team of any acquisitions, disposals and other relevant events with regards to assets.</p>	<p>Agreed. However, the following points should be noted.</p> <p>The council's "Use of vehicles policy" already states that insurance should be informed of all acquisitions and disposals but this is not adhered to. Further work is needed by all areas of the council to ensure that the insurance are promptly informed of all changes to ensure cover is up-to-date. Reminders will be sent to service units of the need to inform Insurance Team of changes, but consideration needs to be given to imposing sanctions on units who fail to do this. Within CRT some of the workers were setup to act for other workers. All of "Can Act For" access rights within CRT have been reviewed and removed for everyone with Financial Authorisation access rights. In future, if CRT needs to grant "Can Act for" access rights</p>



Recommendation	Management Response / Responsibility / Deadline for Implementation
	<p>this needs to go through formal ITU support process.</p> <p>Dave Huberman – Finance Manager Joe Delaney Principal Insurance Officer Early 2014</p>
<p>Reinstatement valuations should be carried out on Council properties.</p> <p>The Council's properties should then be revalued at least every five years.</p>	<p>Agreed.</p> <p>The Principal Insurance Officer has also liaised with Zurich Municipal and arranged for a sample of 20 larger council properties to be revalued; as an interim measure the values of all remaining properties will be increased/decreased by the average difference these valuations identify. However, in the longer run a proper revaluation of all properties to ascertain their reinstatement values should be undertaken on a rolling basis. The insurance valuation process could be combined with the Council's valuation requirement to provide Balance Sheet valuations. This would be done over a rolling five year programme</p> <p>Dave Huberman – Finance Manager Joe Delaney – Principal Insurance Officer Starting from mid 2014</p>
<p>An actuarial valuation on the insurance fund should be undertaken as soon as possible.</p> <p>The risks carried and covered by the insurance fund should be reviewed and this review should feed into the determination of the level of contributions to the fund.</p>	<p>Agreed.</p> <p>The final report for this should be published in early 2014; the recommendations will be considered and action will be taken if necessary.</p> <p>Dave Huberman – Finance Manager Joe Delaney – Principal Insurance Officer Early 2014</p>
<p>A verification policy should be developed in consultation with the Head of Audit and Investigation. The policy should set out the types of verifications required to validate claims. As minimum, this should include vouching of the claimant's name and address. Evidence of any</p>	<p>Agreed. Access to all council databases (benefits, council tax, and the electoral roll) should be given to insurance to assist in verification. The Council's internal Audit department could be used to assist in verifying people who live outside of the Borough. However for non-injury claims the claimant is under no obligation to disclose their date of birth or National Insurance number and asking them to do so may antagonise the claimant</p>

Recommendation	Management Response / Responsibility / Deadline for Implementation
<p>verification should be retained.</p> <p>The policy should also include a mechanism for risk assessing claims to determine the extent of further verifications and investigations required to validate high risk claims.</p>	<p>and ensure they seek legal representation which will increase the costs of settling claims.</p> <p>Joe Delaney – Principal Insurance Officer Early 2014</p> <p><u>Audit Comment</u> When developing the verification policy, the Insurance team should agree the type and level of information with the Head of Audit and Investigation.</p>
<p>All required claimant details should be input accurately and completely onto LACHS. The claimant's details should include as minimum full name, full address, date of birth, and NI number*.</p> <p>All claimants should be required to provide their previous addresses if they have moved within the last three years and address of these should also be captured on LACHS.</p> <p>In addition, signed claim form should be obtained from all claimants and stored on LACHS.</p> <p>*NI number and date of birth should be required for all personal injury claims.</p>	<p>The LACHS system has no means of storing previous addresses and it is hard to see what use this information would be anyway. The risk of antagonising a claimant (as outlined in the previous recommendation) must also be considered, especially if information has been disclosed via other means than our accident form.</p> <p>Joe Delaney – Principal Insurance Officer Early 2014</p> <p><u>Audit Comment</u> When developing the verification policy, the Insurance team should agree the type and level of information with the Head of Audit and Investigation.</p>
<p>Monthly financial reports should be produced from Oracle and reconciled to transactions on the LACHS. The reconciliation should be reviewed and approved by an independent officer. Any discrepancies identified as part of the reconciliation should be followed up promptly and remedied.</p>	<p>There are insufficient resources to do this monthly, but reconciliations will be carried out on a quarterly basis.</p> <p>Dave Huberman – Finance Manager Joe Delaney – Principal Insurance Officer April 2014</p>

## LIMITED/NIL ASSURANCE REPORTS – School

### Mount Stewart Infants

Six priority 1; seven priority 2 and four priority 3 recommendations were raised as a result of this audit. All of our recommendations were agreed for implementation by the School.



## LIMITED/NIL ASSURANCE REPORTS – BHP

### Fire Safety

One priority 1 and three priority 2 recommendations were raised as a result of this audit. All of our recommendations were agreed for implementation by BHP. Details of issues will be reported to BHP Audit Committee.



## NON-ASSURANCE WORK

### **Troubled Families Grant Claim Certification**

Certification of 5 Grant Claims as follows:

- 2 Claims for Troubled Families
- 3 Payment by Results Claim

This is a grant which the Head of the Audit & Investigation is required to certify. This funding is for the DCLG's Troubled Families programme which is aimed at reducing the cost of problem families. The government is providing funding to cover up to 40% of the cost of interventions for these families.

## 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	
Northview	2	1	0		2	1	0		0	0	0		4	2	0	0	
	2	1	0		2	1	0		0	0	0		4	2	0	0	

## 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:

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


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

## Appendix B – Audit Team and Contact Details

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

Mazars Public Sector Internal Audit Limited	Contact Details
Mark Towler – Director	 <a href="mailto:miyako.graham@brent.gov.uk">miyako.graham@brent.gov.uk</a>
Miyako Graham – Senior Audit Manager	 020 8937 1491
Shahab Hussein – Computer Audit Sector Manager	



 <b>Brent</b>	<b>Audit Committee</b> 19 March 2014  <b>Report from the Chief Finance Officer</b>
For Information	Wards Affected: ALL
<b>Internal Audit Plan 2014/15</b>	

## 1. Summary

- 1.1. This report sets out the Draft Internal Audit Plan (“the Plan”) for 2014/15 and the basis on which the plan has been formulated.
- 1.2. All Local Authorities are required to make proper provision for Internal Audit in line with the 1972 Local Government Act and the Accounts and Audit Regulations 2003 (as amended). The Public Sector Internal Audit Standards (2013) require, “...chief audit executive to establish risk based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals”.
- 1.3. The final audit plan will be presented for formal approval at the next scheduled meeting of the Audit Committee. This however means that work against the Plan will need to commence from 1<sup>st</sup> April 2014 prior to the formal approval of the final audit plan.

## 2. Recommendations

- 2.1. The Audit Committee note the approach taken to formulate the draft plan for the 2014/15 financial year and the content of the draft plan. This is in line with the Committee’s role, as defined in the Constitution: *To consider the strategic and*

*annual audit plans, and consider the level of assurance these can give over the Council's corporate governance and risk management arrangements.*

2.2. The Audit Committee approve the Internal Audit Plan for the 2014/15.

### **3. Detail**

- 3.1. The Internal Audit Service is delivered through a partnership between the Council's in-house Audit & Investigations Team ('the in-house team') and Mazars Public Sector Internal Audit Limited (previously Deloitte & Touche Public Sector Internal Audit Limited). The total plan days for 2014/15 is to deliver 1,200 days of which 905 are allocated to Mazars and 295 to the in-house team.
- 3.2. All areas of the Council's operations are potentially subject to internal audit coverage. However, given resource constraints, not all areas can be audited on an annual basis.
- 3.3. The Public Sector Internal Audit Standards require a risk based plan to take into account the requirement to produce an annual internal audit opinion and requires the plan to indicate the link to the organisational objectives and priorities.
- 3.4. The Plan has been formulated on the basis of the following:
- Internal Audit knowledge and understanding of key risk areas across the organisation, knowledge of the Council's operations and awareness and experience of risks being faced within other Local Authorities, as well as across the wider public sector;
  - Internal Audit knowledge and understanding of key developments taking place across the Council; and
  - Discussions with Strategic Directors and Operational Directors across the Council to inform the plan.
- 3.5. The transfer of responsibility for risk management to the Audit & Investigations Unit has gone some way to assist in the development of a more integrated risk management framework, enabling there to be a clearer link between internal audit activity and the Council's key strategic and operational risks.
- 3.6. Internal Audit has liaised with the Council's external auditors (KPMG) in developing the plan.

**4. Financial Implications**

- 4.1. The total value of the contract is £300,000 in 2014/15 and is funded within the Audit and Investigations base budget. If the total number of audit days attributable to Mazars is less than the 905 days allocated, then the total amount paid will reduce accordingly.

**5. Legal Implications**

- 5.1. None

**6. Diversity Implications**

- 6.1. None

**7. Background Papers**

- 7.1. None

**8. Contact Officer Details**

Simon Lane, Head of Audit & Investigations, 8th Floor, Civic Centre.  
Telephone – 020 8937 1260

**Conrad Hall**  
**Chief Finance Officer**

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**Internal Audit**  
**2014/15 Draft Internal Audit Plan**  
**London Borough of Brent**  
**March 2014**

## Contents

## Page No

Executive Summary

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Appendix A – Detailed Plan

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## Executive Summary

<b>Introduction</b>	This report sets out the Internal Audit Plan for the 2014/15 financial year.
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<b>Total Plan Days</b>	<p>The Plan is based on a total of 1,200 days split between Mazars and the in house team as shown below.</p> <table border="1"> <tr> <td>In-House Team</td><td>295</td></tr> <tr> <td>Mazars (previously Deloitte)</td><td>905</td></tr> <tr> <td><b>Total</b></td><td><b>1,200</b></td></tr> </table>	In-House Team	295	Mazars (previously Deloitte)	905	<b>Total</b>	<b>1,200</b>
In-House Team	295						
Mazars (previously Deloitte)	905						
<b>Total</b>	<b>1,200</b>						

<b>Formulating the Plan</b>	<p>Internal audit is to an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.</p> <p>Internal Audit formulate an annual work plan which sets out a number of projects, across each directorate, with an estimate of the number of days required for each project. There is an element of flexibility within the planned days with project over and under runs being managed within an overall target.</p> <p>All areas of the Council's operations are potentially subject to internal audit coverage. However, not all areas can be audited on an annual basis. The selection of audit areas is therefore determined on the basis of risk, audit experience and requests from management.</p> <p>Risk is the primary driver for internal audit work. Both in determining the overall plan and the scope of individual audits. However, not every risk can be audited every year and, in addition to areas which are of clear financial materiality, some areas require auditing from an overall assurance perspective. For example, an establishment audit, where expenditure in global terms is not that high, requires an occasional audit to</p>
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help maintain the control environment.

‘Risk’ is broadly defined as being something which threatens the achievement of an objective. The range of risks is significant and diverse. Because risk is not purely financial, internal audit work does not focus, solely, on finance.

The Plan has been formulated on the basis of the following:

- Internal Audit’s own knowledge and understanding of key risk areas across the organisation. This is informed through our general understanding of the concept of risk and knowledge of the Council’s operations;
- Key developments taking place across the Council, and hence emerging risk areas; and
- Discussions with Directors and Heads of Service across the Council.

The Public Sector Internal Audit Standards (which replaced the CIPFA Code of Practice on Internal Audit in Local Government from April 2013) requires the Head of Audit and Investigation to, “...establish risk based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals.”

The transfer of responsibility for risk management to the Audit & Investigations Unit has gone some way to improve the linkage of internal audit activity to key risk.

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

In order to help ensure that all key risk areas are identified, including new and emerging risks, the plan has been focused around the following set of internal and external risk factors:



Internal

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

External

- Economic;
- Regulatory; and
- Fraud Risk.

For 2014/15, the Internal Audit Team has attended DMT meetings and had discussion with Operational Directors as a means of involving senior officers across the Council in the development of the annual audit plan.

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

Assistant Chief Executive	65
Adult Social Care	122
Children & Young People	97
School Audits	120
Environment & Neighbourhood	82
Finance	75
Information Technology	119
Human Resources	35
Legal & Procurement	35

Regeneration & Growth	115
Brent Housing Partnership	150
Risk Management	15
Governance & Audit Planning	10
Follow-Up	45
Consultation, Communication and Reporting	55
Contingency	60
<b>Total</b>	<b>1200</b>

### Types of Work

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

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

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

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

Contract audit specialists have been used to focus either on the controls in place around the management and administration of construction based projects; the tendering of projects / contracts; or on the controls in place around the management of a contractual relationship.

There is a key role for Internal Audit in assisting management to assess the risks involved in new developments / new projects / new ways of working, helping management to determine an adequate system of controls at the design and implementation stage, as opposed to highlighting deficiencies at a later stage when it may be more difficult / costly to address weaknesses. Similarly, it may be appropriate for Internal

	Audit to provide assurances on the adequacy and effectiveness of controls in place around the management of a specific project, thereby assisting management to deliver these on time and to budget, as well as to achieve the desired outcome.
<b>Ensuring the ongoing relevance of the Plan</b>	<p>Although the plan is fixed at the beginning of the year, it should be noted that it needs to remain flexible in order to accommodate on-going changes in the nature and structure of the organisation. The Plan is reviewed on a regular basis during the course of the year, in order to ensure that it remains relevant.</p> <p>We will continue to liaise with Strategic Directors, Operational Directors, and External Audit during the year to determine whether any amendments are required, and will update Members at scheduled Committee meetings where any significant revisions occur.</p>

## Appendix A – Detailed Plan

The Draft Internal Audit Plan for 2014/15 is set out below in Table 1 and the IT Plan in Table 2. Where possible, we have included the proposed number of days against each audit, together with a high level indication of the proposed coverage, the initial key contact, and an indication of the proposed timing where this is known at this stage.

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

**Table 1 – Overall Plan**

Audit	Link to the ANA & Risk Register / Basis for Inclusion	Days	Proposed Coverage	Initial Key Contact	Proposed Timing
<b>ASSISTANT CHIEF EXECUTIVE'S DEPARTMENT (65 Days)</b>					
Public Health Audits	A number of public health responsibilities transferred from the NHS to Councils from 1st April 2013. It is vital that arrangements for governance and accountability are sufficiently robust.	50	Meeting to discuss potential projects scheduled for March 2014	Melanie Smith – Director of Public Health	To be confirmed
Public Health Grant Certification Audit	Grant Certification	10	To ensure that spend is in accordance with grant terms and conditions	Melanie Smith – Director of Public Health	Q1
Public Health Board Meetings		5	Internal Audit attendance at Public Health Board Meetings	Melanie Smith – Director of Public Health	Across the year
Troubled Families	Requested by Management	See Children & Young People Department Audit Plan below (Systems audit and grant certification work to do)			

Audit	Link to the ANA & Risk Register / Basis for Inclusion	Days	Proposed Coverage	Initial Key Contact	Proposed Timing
<b>ADULT SOCIAL CARE DEPARTMENT (122 Days)</b>					
Adult Commissioning	Department Risk Register ASS5 – Failure of contract management / monitoring leading to breaches of contracts thus resulting in failure to achieve value for money and inadequate services to service users	15	Review of procurement, commissioning and contract management arrangements within Adult Social Services.	Amy Jones – Head of Commissioning and Quality Services	To be determined
Carers	Department Risk Register ASS7 – Inability to meet demand for carers and provide support as a result of the implementation of the Care & Support Act 2014	10	Review of arrangements in place to meet demand for carers and to provide them with the required support. Exact scope to be determined in discussions with management	Nancie Alleyne – Head of Direct Services	Q3/4
Follow Up on Implementation of recommendations from Ofsted (Transitions Team)	Proposed by The Head of Service for Support Planning and Review ‘	10	Scope to be determined in discussions with management.	Helen Duncan - Turnbull - Head of Service for Support Planning and Review ‘-	Q1
Mental Health	Requested by Management	15	The review will focus on Partnership arrangements. Exact scope to be determined in discussions with management.	Amy Jones – Head of Commissioning and Quality Services	Q2/3
Safeguarding	Corporate & Departmental Risk Registers ASS1 – Failure to safeguard	15	The review will cover the following: • Legislation, policies, and	Yolanda Dennehy – Head of Reablement and	Q2

Audit	Link to the ANA & Risk Register / Basis for Inclusion	Days	Proposed Coverage	Initial Key Contact	Proposed Timing
	<p>vulnerable adults resulting in abuse, death or injury.</p> <p>Included in 2013/14 Plan but unlikely to be undertaken due to current projects which will not be completed until May 2014.</p>		<p>procedures;</p> <ul style="list-style-type: none"> <li>• Partnership and Multi-Agency arrangements (including Local Safeguarding Adults Board);</li> <li>• Training;</li> <li>• Confidentiality and information sharing;</li> <li>• Lessons learnt;</li> <li>• Safer recruitment; and</li> <li>• Publicity and awareness.</li> </ul>	Safeguarding	
No recourse to Public funds	<p>Departmental Risk Register</p> <p>ASS4 – increased level of demand for adult social care resulting in increased funding requirements and budgetary pressures</p>	10	Review of initial entitlement, continuing entitlement and payments. Exact scope to be determined in discussions with management	Amy Jones – Head of Commissioning and Quality Services	Q1
Appointeeship & Deputyship	<p>Mental Capacity Act.</p> <p>Risk of client funds being misappropriated or not being properly accounted for.</p> <p>Previous audit report in 2012 was limited assurance and management have requested an audit.</p>	15	Review of arrangements in place over deputyship and appointeeship in order to assess how effectively the council is fulfilling its responsibilities. This work will assess the process around appointeeship, receivership, and controls around protection of clients who lack the mental capacity of making their own decisions	Nancie Alleyne – Head of Direct Services	Q1
Personalisation - Direct Payments &	<p>Department Risk Register</p> <p>ASS2 – Fraud, misappropriation and</p>	20	Exact scope to be determined through discussion with management. However, potential areas of coverage	Nancie Alleyne – Head of Direct	Q1

Audit	Link to the ANA & Risk Register / Basis for Inclusion	Days	Proposed Coverage	Initial Key Contact	Proposed Timing
Personal Budgets	financial mismanagement of personalised budgets and direct payments to clients resulting in misuse of council funds and budget overspends.		will include: <ul style="list-style-type: none"> <li>• Arrangements in place for providing advice to clients and their carers including legal matters such as tax, employment, employer's liability insurance, and rights to work in the UK;</li> <li>• Eligibility assessment in respect of receiving direct payments;</li> <li>• Processing of direct payment;</li> <li>• Reviews;</li> <li>• Budget Monitoring and Control;</li> <li>• Financial Monitoring; and</li> </ul> Verification of use of payments.	Services / Amy Jones – Head of Commissioning and Quality Services	
Supporting People	Requested by Management	12	Specific scope and approach still to be discussed with management.	To be confirmed	Q1
<b>CHILDREN &amp; YOUNG PEOPLES DEPARTMENT (217 Days)</b>					
School Audits – Primary/Junior Schools/Nurseries & Special	Schools are audited on a cyclical basis (every three years).	120	Completion of audits for 12 schools. Review of internal controls.	Sara Williams – Operational Director, Early Help  Ravinder Jassar – Head of Finance, Adult Social Care Department & C & Y People	Across the year

Audit	Link to the ANA & Risk Register / Basis for Inclusion	Days	Proposed Coverage	Initial Key Contact	Proposed Timing
				Department	
Follow up work for the schools with Limited Assurance	Follow up the implementation of the recommendations arising from the audit work undertaken in the previous year where the assurance rating was Limited.	8	Self-Assessment and visits	Sara Williams – Operational Director, Early Help  Ravinder Jassar – Head of Finance Adult Social Care Department & C & Y People Department	Across the year
Troubled Families	Requested by the Head of Audit & Investigations due to ongoing issues with grant certification.	15	Systems Audit – exact scope to be determined	Gordon Murray – Programme Lead Early Help  Sue Gates - Head of Early Years & Family Support	Q1
Assessment of Troubled Families (Working with Troubled Families Project) and DCLG Troubled Families Grant Audit	New responsibilities and Funding and potential impact of welfare reforms. Corporate Risk Register DCLG requirement / Regulatory. There will be three certifications required during 2013/14 (April, July, and March)	30	Exact scope will be determined through discussion with management. Audit will be undertaken in accordance with the grant certification requirements.	Nicky Case – Early Help Coordinator  Ronnie Ferguson – Planning, Performance & Analysis Manager	Q1, Q2, Q3 and Q4



Audit	Link to the ANA & Risk Register / Basis for Inclusion	Days	Proposed Coverage	Initial Key Contact	Proposed Timing
Brent Foster Carers	Postponed from 2013/14 due to payment systems changes.	12	Review of the placement of children with Brent Foster Carers. The review will cover the following areas: <ul style="list-style-type: none"> <li>• Allowances;</li> <li>• Payments;</li> <li>• Authorisation;</li> <li>• Change in circumstances;</li> <li>• Overpayments; and</li> <li>• Budget monitoring and control.</li> </ul>	Nigel Chapman – Head of Placements	Q2
Care Leavers	Requested by Management	10	The review will cover the following areas: <ul style="list-style-type: none"> <li>• Legislation, policies, and procedures;</li> <li>• Identification and assessment of care leavers;</li> <li>• Needs assessments and vulnerability report;</li> <li>• Plans;</li> <li>• Personal advisors and contacts;</li> <li>• Hardship payments;</li> <li>• Client's financial management; and</li> <li>• Financial and performance management.</li> </ul>	To be confirmed	Q1/2
No Recourse to Public Funds (Adolescent	Requested by Management	10	Review of initial entitlement, continuing entitlement and payments. Exact scope to be determined in discussions	To be confirmed	To be confirmed

Audit	Link to the ANA & Risk Register / Basis for Inclusion	Days	Proposed Coverage	Initial Key Contact	Proposed Timing
Prevention Service)			with management.		
School Places	Corporate & Department Risk Registers CF1 – Inability to meet demand for school places	12	Scope to be determined through discussions with management. Possible Value For Money work on build cost	Sara Williams – Operational Director, Early Help	Q1
<b>FINANCE &amp; CORPORATE SERVICES (75 days)</b>					
Accounts Payable	Key Financial System – annual coverage. One Oracle – including post migration work	15	Annual systems audit focusing on key controls and any systems changes.	Celia Henry – Head of Financial Service Centre Petrina Peters – FSC Payments Team Leader	Q3/4
Accounts Receivable	Key Financial System – annual coverage. One Oracle – including post migration work	15	Annual systems audit focussing on key controls and any systems changes.	Celia Henry – Head of Financial Service Centre – FSC Income Control, Invoices and Cash Team Leader	Q3/4
General Ledger	Key Financial System – annual coverage. One Oracle - Including post migration work	15	Annual systems audit focussing on key controls and any systems changes.	Celia Henry – Head of Financial Service Centre Sonal Thakker	Q3/4

Audit	Link to the ANA & Risk Register / Basis for Inclusion	Days	Proposed Coverage	Initial Key Contact	Proposed Timing
				Celia Henry – FSC Accounting to Reporting Team Leader	
One Oracle Project	One Oracle Project comprises migration of financial, HR, and payroll systems. Go Live set for early 2014/15.	5	Internal Audit Liaison with Finance Implementation Team (FIT)	Mark Peart – Head of Financial Management	Q1/2
Treasury Management	Key Financial Audit – cyclical coverage.	10	Annual systems audit focusing on key controls and any systems changes.	To be confirmed	Q2/3
Cash & Bank	Key Financial System – annual coverage. One Oracle migration	15	Exact scope to be determined in discussions with management	Celia Henry – Head of Financial Services Centre	Q3/4
<b>HUMAN RESOURCES (35 Days)</b>					
Pension Administration	The contract Capita for the management of pension fund has now been in place for a number of years. There is a need to review the administration arrangements to ensure that they are operating effectively.	15	Review of Administration of Pensions (Capita Contract) The focus will be on the administration over starters, leavers, deaths and retirements, transfers, amendments, additional voluntary contributions, contributions to the Brent pension fund, payments, and contract monitoring. It should be noted that the work will assess the process operated	Cara Davani – Operational Director, HR	2/3

Audit	Link to the ANA & Risk Register / Basis for Inclusion	Days	Proposed Coverage	Initial Key Contact	Proposed Timing
			by both the Council and Capita.		
Payroll	Key Financial System – annual coverage. One Oracle migration	20	Annual systems audit focussing on key controls and any systems changes.	Cara Davani – Operational Director, HR	Q3/4
<b>IT AUDITS (119 Days)</b>					
Information Governance	Information governance is the framework of control over the Council's information resources, comprising the people, policies and processes. Information governance is dependent on having a culture of responsibility embedded across the Council from the highest level to our front line staff.	20	To review information governance within the Council including: <ul style="list-style-type: none"> <li>• Information Security;</li> <li>• Responsibilities;</li> <li>• Information Legislation;</li> <li>• Information and Records management.</li> </ul>	Conrad Chambers – Head of IT Service Delivery	Q2
Acolaid	Acolaid consists of a range of systems including planning and building control.	15	This audit will cover the application controls for the Acolaid system. The areas covered in this audit include access controls, data entry, data processing, data output, interfaces, support and maintenance; and backup and recovery.	Conrad Chambers – Head of IT Service Delivery	Q1
IT Training/Education	Adequate training and education will help to ensure that IT systems, processes, and equipment are operated efficiently and effectively.	12	Review of the provision of IT training/education.	Conrad Chambers – Head of IT Service Delivery	Q2

Audit	Link to the ANA & Risk Register / Basis for Inclusion	Days	Proposed Coverage	Initial Key Contact	Proposed Timing
IT Digital Delivery	The ITU support the digital delivery to both internal and external customers.	15	Review of digital delivery including the Council's web site.	Conrad Chambers – Head of IT Service Delivery	Q1
One Oracle Post Implementation	One Oracle will go live in 2014. Key Financial and HR/Payroll system.	20	Scope will include: <ul style="list-style-type: none"> <li>• Project Compliance with Project Management Standards;</li> <li>• Change Control;</li> <li>• Business Benefits Realisation;</li> <li>• Logical Access Security;</li> <li>• Interfaces;</li> <li>• Backup and Recovery Arrangements;</li> <li>• Maintenance and Support Arrangements;</li> <li>• Knowledge management learning initiatives; and</li> <li>• Lessons Learned.</li> </ul>	Conrad Chambers – Head of IT Service Delivery	Q1/2
Ecoh	Replacement system for Contender, used by Environment and Neighbourhoods.	12	This audit will cover the application controls for the system. The areas covered in this audit include access controls, data entry, data processing, data output, interfaces, support and maintenance; and backup and recovery.	Conrad Chambers – Head of IT Service Delivery	
IT Contracts	The Council's main IT contracts include the following:	10	The review will cover management of a selected IT contract.	Conrad Chambers – Head of IT Service Delivery	

Audit	Link to the ANA & Risk Register / Basis for Inclusion	Days	Proposed Coverage	Initial Key Contact	Proposed Timing
	<ul style="list-style-type: none"> <li>• Vodafone Xerox (One Print);</li> <li>• Xirrus (Wireless network);</li> <li>• LPSN; and</li> <li>• Datacentre hardware maintenance.</li> </ul>				
Contingency for IT projects	Contingency for any additional works required.	5	This will be identified throughout the year.	Conrad Chambers – Head of IT Service Delivery	To be confirmed
Follow up	To ensure that the recommendations raised in previous audits have been implemented.	10	Follow up of previously raised recommendations.	Conrad Chambers – Head of IT Service Delivery	Throughout the year
<b>ENVIRONMENT &amp; NEIGHBOURHOOD SERVICES (82 Days)</b>					
Parking	Corporate Operational Risk Register. New Contract under West London Alliance framework commenced in the summer 2013. Concerns about the plans in place for management of the contract and the inter-authority agreement.	20	Initially liaise with Ealing & Hounslow as this is a tri borough contract. Exact scope will be determined through discussion with management.	Michael Read – Assistant Director of Environment and Neighbourhood	Q3/4
Highways Maintenance	Departmental Risk Register EN6 Lack of available funds for road maintenance ; poor road conditions and deterioration of road conditions New contract effective from April 2013	12	Review of contract management arrangements for the new contract	Paul Chandler – Head of Transportation	Q1/2

Audit	Link to the ANA & Risk Register / Basis for Inclusion	Days	Proposed Coverage	Initial Key Contact	Proposed Timing
Public Realm Contracts – Waste & Recycling	Corporate & Departmental Risk Registers EN3 - Financial/bankruptcy of major service provider. EN8 – Systems processes and communications not in place to facilitate effective mobilisation of Public Realm contract which includes BHP.	12	The review will cover management of the waste and recycling contract.	Chris Whyte – Head of Recycling and Waste	Q3/4
Vale Farm Contract	Departmental Risk Register EN3 - Financial/bankruptcy of major service provider A new contract from November 2013 Requested by management.	8	Contract is managed by Ealing. Review of adequacy of contract management arrangements	Gerry Keifer – Head of Sports & Parks	Q1/2
Regulatory Services	Restructure of service which will include Environmental Health/Licensing/Food Safety	20	Exact scope will be determined through discussion with management.	David Thrale – Head of Regulatory Services	Q3
Street Tree Contract	Requested by Management due to contractual issues	10	Review of contractual arrangements	Michael Read – Operational Director, Environment & Protection	Q1/2
<b>LEGAL &amp; PROCUREMENT (55 DAYS)</b>					
Category	Audit was postponed from 2013/14	15	Review of Category Management on	Gary Salterpicco –	Q2/3

Audit	Link to the ANA & Risk Register / Basis for Inclusion	Days	Proposed Coverage	Initial Key Contact	Proposed Timing
Management	due to delay in One Oracle migration.		One Oracle	Procurement Manager	
Members – Declarations of Interests & Gifts and Hospitality	Departmental Risk Register LP 11 - Risk of members not conforming to new Code of Conduct and register of interests. Bribery Act 2010	10	To focus on the controls in place for ensuring that members declare their interests and any gifts & hospitality received.	Peter Goss – Democratic Services Manager	Q1
Election Expenses	May 2014 Local Elections	10	Exact scope to be determined in discussions with management Focus could be on internal controls in the following areas: <ul style="list-style-type: none"> <li>• Setting the Election Budget;</li> <li>• Payments to Staff;</li> <li>• Payments to Contractors; and</li> <li>• Budget Monitoring and Reporting on Election Expenses</li> </ul>	Peter Goss – Democratic Services Manager	Q2
Procurement	Departmental Risk Register LP4 - Non-compliance with EU Procurement Regulations in the letting of Contracts LP5 - Incorrect procurement process resulting in delay in procuring a contract LP6 - Failure to achieve best value in the letting of contracts and procurement of goods and services	20	Review of compliance with Blue Book requirements and EU procurement regulations for a sample of major contracts.	Deborah Down/Jonathan Treherne – Contract Lawyers	Q3/4



Audit	Link to the ANA & Risk Register / Basis for Inclusion	Days	Proposed Coverage	Initial Key Contact	Proposed Timing
<b>REGENERATION &amp; GROWTH (135 DAYS)</b>					
Capital Projects (contract audits)	Contracting and Procurement is a major risk area. There is thus a need to ensure that there is probity and integrity in this area.	30	Specific projects will be agreed with management for undertaking contract audits. Review of the processes in place for procurement and contract management to ensure the robustness and transparency of the process.	Andy Donald – Director of Regeneration & Growth  Richard Barrett – Operational Director, Property & Projects	Q 2/3
Civic Centre Project (Move to Civic Centre)	Audit postponed from 2013/14.	15	Final Accounts Audit.	Aktar Choudhury – Operational Director, Planning & Regeneration	Q2
Choice Based Lettings/ Housing Allocations	Audit Needs Assessment	20	The review will cover the following areas: <ul style="list-style-type: none"> <li>• Legislation, policy and procedures;</li> <li>• Application and Assessment process;</li> <li>• Timeliness of allocations;</li> <li>• Completeness of Tenancy records;</li> <li>• Lettings;</li> <li>• Data Security; and</li> <li>• Performance Management / Management reporting</li> </ul>	Jonathan Lloyd-Owen Operational Director, Housing & Employment  Laurence Coaker – Head of Housing Needs	Q2

Audit	Link to the ANA & Risk Register / Basis for Inclusion	Days	Proposed Coverage	Initial Key Contact	Proposed Timing
Income from Civic Centre (Melting Pot & Other Hire Facilities)	Income Collection and administration Requested by management.	10	Scope to be determined.	Aktar Choudhury – Operational Director, Planning & Regeneration	Q1/2
Facilities Management	Outsourced Contract	10	Review of the effectiveness of outsourced arrangement for facilities management of the Civic Centre to Europa	To be confirmed	To be confirmed
Council Tax	Key Financial Audit – annual coverage.	10	Annual systems audit focussing on key controls and any systems changes. Light touch review	Margaret Read – Operational Director, Brent Customer Services  Richard Vallis – Revenues & IT Client Manager	Q3/4
Local Council Support Scheme (formerly Council Tax Benefit)	Key Financial System and New System Localised Council Tax	10	Review of the Council's arrangements for administration of the local scheme for Council Tax	Margaret Read – Operational Director, Brent Customer Services  David Oates – Head of Customer Services & Benefits	Q3/4

Audit	Link to the ANA & Risk Register / Basis for Inclusion	Days	Proposed Coverage	Initial Key Contact	Proposed Timing
National Non Domestic Rates (NNDR)	Key Financial Audit – annual coverage.	10	Annual systems audit focusing on key controls and any systems changes. Light touch review	Margaret Read – Operational Director, Brent Customer Services  Richard Vallis – Revenues & IT Client Manager	Q3/4
Housing Benefits / Discretionary Payments	<p>Key Financial Audit – annual coverage.</p> <p>With the introduction of the Caps, there will be a significant impact on Councils, depending whether they are in an affluent area or not. As private property rent prices are likely to significantly exceed the benefit allowance, council residents will be forced to move to areas where rents are more in line with the capped figures. This will have an impact on both extremes in terms of demand on other services within the Council.</p> <p>With the inevitable increase in people not being able to pay their rent, due to insufficient Benefits, it is likely that there will be a flood of applications for Discretionary payments. We need to consider the controls around the decision making process as well as the</p>	10	Annual systems audit focusing on key controls and any systems changes. Light touch review focusing on discretionary payments	David Oates – Head of Customer Services & Benefits	Q3

Audit	Link to the ANA & Risk Register / Basis for Inclusion	Days	Proposed Coverage	Initial Key Contact	Proposed Timing
	payment arrangements. The risk of fraudulent applications is also relevant here.				
Concessionary Fares	Requested by Management The Concessionary Bus Travel Act (2007) transferred the statutory obligation of managing the English National Concessionary Travel Scheme (ENCTS) to Councils from 1 April 2011. Eligibility to receive free travel on buses is based on age and disabilities.	10	The review will cover the following areas: <ul style="list-style-type: none"> <li>• Legislation, policies, and procedures;</li> <li>• Application process and checks;</li> <li>• Issuing of new and renewal passes;</li> <li>• Payment to bus operators and verification of the operator's claims; and</li> <li>• Budget monitoring.</li> </ul>		
<b>BHP (150 days)</b>					
<b>Brent Housing Partnership (BHP)</b>	See separate BHP Plan	150	Annual Plan has been formulated and is to BHP's Audit & Finance Sub-Committee for approval.	N/A	N/A
<b>OTHER (125 days)</b>					
<b>Risk Management</b>	In order to achieve the Council's objectives and priorities, it is key that a robust Risk Management process is embedded across the Council.	15	Update & Maintenance of Corporate and Departmental Risk Registers	All departments	Across the Year

Audit	Link to the ANA & Risk Register / Basis for Inclusion	Days	Proposed Coverage	Initial Key Contact	Proposed Timing
<b>Governance &amp; Audit Planning</b>	Annual Governance Statement and Annual Internal Audit Plan	10	Annual Certificate of Assurance and attendance at DMT meetings to discuss 2015/16 Internal Audit Plan.	All Departments	Q1/Q2
<b>Consultation, Communication and Reporting (Mazars)</b>	N/A	55	To cover: <ul style="list-style-type: none"> <li>• Attendance by Mazars management at meetings across the Council, for example Strategic Finance Group, Schools Causing Financial Concern, and Audit &amp; Investigations Management meetings;</li> <li>• Mazars management attendance at Audit Committee meetings and the production of progress reports for these;</li> <li>• Mazars managements' non-audit specific liaison and communication with officers across the Council on a day-to-day basis and with the Council's external auditors, the Audit Commission. For example, ongoing liaison with Directors and Assistant Directors regarding any necessary revisions to the Plan and communication of key issues arising from completed internal audit work, and liaison with the Audit Commission regarding their review of completed internal audit work;</li> </ul>	N/A	Throughout the year

Audit	Link to the ANA & Risk Register / Basis for Inclusion	Days	Proposed Coverage	Initial Key Contact	Proposed Timing
			<ul style="list-style-type: none"> <li>Day-to-day liaison with the in-house Audit Manager; and</li> <li>General administration around the Mazars element of the Plan, including the scheduling of work and monitoring of performance against the KPIs.</li> </ul>		
<b>Follow-Up</b>	If recommendations raised are not implemented by management, then the value derived from the work of Internal Audit is reduced and the Council's risk exposure is not reduced.	45	<p>Completion of follow-up work in order to determine the extent to which previously raised recommendations have been implemented.</p> <p>This will be done as part of the rolling follow-up programme, into which all recommendations raised are added.</p>	N/A – dependent upon each internal audit to be followed-up	Across the year
<b>Contingency</b>	To allow for any new or emerging risks which may be identified during the course of the year, particularly given the scale of changes taking place.	60	In the event that additional work is required.	N/A – dependent upon work required	N/A – dependent upon work required
<b>Total</b>		<b>1,200</b>			

## Appendix C – Audit Team and Contact Details

London Borough of Brent	Contact Details
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