



Audit Committee

Wednesday 7 January 2015 at 7.00 pm

Board Room 2 - Brent Civic Centre, Engineers Way,
Wembley HA9 0FJ

Membership:

Members

Mr Ewart (Chair)

Councillors:

A Choudry
Filson
Khan
McLeish
Davidson

Substitute Members

Councillors:

RS Patel, Krupa Sheth, Stopp and Thomas

Councillors:

Ms Shaw and Warren

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
1 Declarations of personal and prejudicial interests	
Members are invited to declare, at this stage of the meeting, any relevant financial or other interest in the items on this agenda.	
2 Deputations	
3 Minutes of the previous meeting	1 - 6
4 Matters arising	
5 Certification of Grants and Returns	7 - 12
The Audit Commission requires its external auditors to prepare an annual report on the claims and returns it certifies for each client under the Audit Committee regime. This letter is KPMG's (external auditors) annual report for the certification work undertaken for 2013/14.	
6 External audit progress report and technical update	13 - 22
This report by KPMG provides the Audit Committee with an overview on progress in delivering KPMG's responsibilities as the external auditors. The report flags up publications/articles that may be of interest to the Committee and also highlights technical issues which are currently having an impact in local government.	
7 Treasury management strategy 2015/16	23 - 36
This report presents the draft Treasury Management Strategy for 2015/16 for consideration by the Committee. The final version of the Strategy, incorporating the views of the Committee, will be included in the budget report to be approved by the Council on 2 March 2015.	

Ward affected:

All Wards

Contact Officer: Conrad Hall, Chief Finance Officer

Tel: 020 8937 6528 conrad.hall@brent.gov.uk

8 Internal audit progress report 2014/15

37 - 70

This report provides an update on progress against the internal audit plan for the period 1st April 2014 to 31st December 2014. The report also provides a summary of counter fraud work for 2014/15.

An appendix to the report is attached.

Ward affected: **Contact Officer:** Conrad Hall, Chief Finance Officer

All Wards Tel: 020 8937 6528 conrad.hall@brent.gov.uk

9 Corporate Risk register

71 - 86

This report presents the council' s current Corporate Risk Register. An appendix to the report is attached.

Ward affected: **Contact Officer:** Conrad Hall, Chief Finance Officer

All Wards Tel: 020 8937 6528 conrad.hall@brent.gov.uk

10 Shared internal audit services

87 - 98

The council is seeking to make savings of an average of 40% in the provision of its support services, in response to the financial pressures that it faces. This report sets out a proposal to share internal audit services with the London Boroughs of Ealing and Hounslow which would enable an immediate saving on management costs to be achieved. Over time, the proposal would also deliver further financial savings through economies of scale and efficiencies and the opportunity to improve the service by facilitating more cross-borough working and sharing best practice, thus enhancing the resilience of the service.

Ward affected: **Contact Officer:** Conrad Hall, Chief Finance Officer

All Wards Tel: 020 8937 6528 conrad.hall@brent.gov.uk

11 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.

12 Date of next meeting

The next scheduled meeting of the Audit Committee is scheduled to be held on Tuesday, 24 March 2015 at 7.00pm



Please remember to set your mobile phone to silent during the meeting.

- The meeting room is accessible by lift and seats will be provided for members of the public.



LONDON BOROUGH OF BRENT

MINUTES OF THE AUDIT COMMITTEE Monday 24 November 2014 at 7.30 pm

PRESENT: Councillor Mr Ewart (Chair), Councillor Khan (Vice-Chair) and Councillors McLeish and Davidson

Also present: Councillors S Choudhary, Filson, Mahmood and Perrin

Apologies for absence were received from: Councillors A Choudry and Van Kalwala

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

There were no declarations of personal or prejudicial interests.

2. **Deputations**

None received.

3. **Minutes of the previous meeting**

RESOLVED:-

that the minutes of the previous meeting held on 29 September 2014 be approved as an accurate record of the meeting subject to the following amendments:

- i. The second sentence of the penultimate paragraph of the item Statement of Accounts 2013/14 and External Auditors Report, referring to the level of reserves be deleted.
- ii. It be recorded that during discussion of the Statement of Accounts 2013/14 and External Auditor's Report, Mick Bowden (Operational Director, Finance) was asked to review the Pension Fund administration fee to identify whether it was appropriate and to confirm when the hedge fund fees had last been reviewed. It was agreed that this information would be circulated to the committee.
- iii. It be recorded that, in discussing the internal audit progress report 2014/15, Graham Genoni (Operational Director, Social Care) was asked to expand on his comment that the performance of the department had improved by detailing what had improved with reference to Key Performance Indicators. Graham Genoni had agreed to circulate this information to the committee.

4. **Matters arising**

The Chair advised that the risk register would be considered at the next meeting of the committee.

A member requested an explanation of the additional section 106 funds for 2013/14 of £11.8m. Simon Lane (Head of Audit) advised that he would seek an explanation from the appropriate officers of this difference.

5. **Internal Audit Progress Report**

The Chair advised that on considering the internal audit progress report at its previous meeting, the committee had agreed to review the IT Contracts audit in greater detail. This audit had focussed on the operation of IT systems that had been procured and managed by individual council departments. The audit had examined a sample group of three different IT systems, Tribal, iCasework and OpenGalaxy, and had resulted in a limited assurance. Conrad Hall (Chief Finance Officer) welcomed the committee's focus on the audit and advised that it had exposed a series of issues regarding departmental management of IT contracts. Issues had been found across each of the three systems examined and it was therefore considered likely that similar problems would be encountered in further examples of across the organisation.

Peter Balham (Head of Technical Services) drew members' attention to the IT Contracts audit report circulated to the committee and summarised the key issues identified. He advised that it was not uncommon for complex organisations to require specific IT systems to support the work of different departments; however, it was important that processes were in place to ensure that the council's IT infrastructure met organisational needs, complied with legal requirements and was not open to vulnerabilities. Referring to the six recommendations set out in the report and the corresponding action plan, Peter Balham explained that work was already underway to ensure that the IT Contracts register maintained by ITU included details of those contracts managed directly by individual departments, thereby allowing appropriate challenge to be applied by ITU, reducing the risk of service overlap and providing heightened corporate oversight. The recommendations also addressed issues of compliance with the Council's procurement policy and procedures, low level data security vulnerabilities and a need for improved performance monitoring of the systems.

Philip Mears (Complaints Services Manager, Assistant Chief Executive's Department) was present to discuss the outcome of the audit in respect of the iCasework system. He advised that versions of iCasework had been used by the council since 2000; it was used to manage corporate complaints, and more recently Freedom of Information requests and members' case work. The contracts had previously been managed by ITU until 2012 at which time the system had become hosted by the supplier. Due to the long relationship with iCasework and the relatively small annual maintenance costs, it had become established practice to renew the contract annually. Philip Mears advised that he was in agreement with the recommendations of the report which would require more robust approach to the management of the contract.

In the subsequent discussion members queried how the implementation of the new version of iCasework had been managed, how long it had taken to integrate the old and new versions of the system and sought details of the training and cost implications of this process. A member advised that on speaking with the Senior Regulatory Service Manager regarding use of the iCasework system for managing licensing applications, worrying feedback had been received regarding difficulties with the system and a lack of support from the provider for system developments. In view of this information, the importance of reviewing the business case to ensure that the contract continued to meet the needs of the organisation, prior to annual contract renewal was emphasised. The committee sought further details of the consequences of the data security issues identified by the audit and emphasised the importance of considering any safeguarding implications.

In response to members' questions, Philip Mears explained that there had been no data integration between the new and old version of iCasework as it had been recognised that the data in the old system had been corrupt. Extensive training had been delivered by staff members over a period of approximately two months and there had therefore been no external cost implications. Peter Balham advised that the system used by the Licensing Team was a very old version of iCasework and utilised a functionality that was no longer supported by the provider. ITU was currently working with the team to identify an appropriate alternative. The committee was assured that the vulnerabilities identified by the audit were considered to be of a low level risk and could be remedied by data encryption. Peter Balham emphasised the quality of the council's IT infrastructure and advised that stringent testing regarding vulnerabilities was carried out on an annual basis. Work had already begun on the implementation of the audit recommendations and it was intended that the updated contracts register would be in place by March 2015.

Simon Lane (Head of Internal Audit and Investigation) then provided an update to the committee on the progress against the internal audit plan for the period 1 April 2014 to 31 October 2014. Members were informed that of a total 1,200 audit days, 640 days had been delivered thus far. There were 80 projects on the current plan, 29 of which had been completed to draft or final stage. Of these 29 projects, 21 had an audit opinion associated with them, 15 of which were substantial and 6 limited. The level of limited assurance opinions had been 43 per cent for the previous year and it currently stood at 29 per cent. Though this reduction was good, the figure remained too high and it was hoped that this could be reduced still further to 25 per cent. Members' attention was drawn to the list of audit reports issued since the last meeting of the committee, set out in appendix to the report. He explained that there had been no limited assurances issued since the last meeting. A summary was provided of the non-assurance work conducted and it was highlighted that 8 Priority 1 recommendations were raised as a result of work on the certification of grant claims for the Trouble Families Grant. Details of these recommendations would be available to members at the next meeting of the committee.

In concluding his presentation of the internal audit progress report, Simon Lane referred members to the summary of fraud activity for the year to date. He advised that 8 cases of internal fraud or irregularities had been investigated thus far and there were a further 20 cases currently open, with investigations taking on average 15.1 weeks to complete. Members were reminded that the responsibility for the investigation of Housing Benefit fraud had transferred from the council to the

Department for Work and Pensions (DWP) on 1 October 2014 and therefore all outstanding cases had been recorded as closed.

During Members' discussion, a view was put that the audit plan should include investigation of the pay arrangements for senior staff members, including the Chief Executive, and of the recent employment tribunal findings of racial discrimination. Addressing these issues, Conrad Hall emphasised that there were a limited number of days allocated to audit and follow up activity as detailed in the audit plan and it was important therefore that the resource was properly targeted. He clarified that the Chief Executive was on the council's payroll and explained that it was not considered appropriate for the council's initial response to the allegations of racial discrimination to include an Audit investigation. Councillor Pavey (Deputy Leader) reminded the committee that he was conducting a HR review, the outcome of which would be reported to the Scrutiny Committee. The Chair confirmed that the audit plan for 2015/16 would be submitted to a future meeting of the committee for consideration, along with the risk register which would inform any work planning activity.

A member noted that the incidents of internal fraud appeared to be on track to exceed the figure for the previous year and queried the reasons for this. Members sought details of the risks associated with the transfer of Housing Benefit Fraud investigation to the DWP and queried whether this had achieved any savings for the council. A further query was raised regarding the performance of property recovery compared to other London boroughs.

Responding to members' queries, Simon Lane advised that it was expected that the internal fraud figures for the current and previous year would be broadly similar. The risks associated with the transfer of responsibility for Housing Benefit fraud included the loss of information arising from the investigation which could often lead to uncovering other fraudulent activity. It was anticipated that the council's subsidy claim could be affected as the council would lose the discretion to raise overpayments. The customer was also exposed to a risk of being investigated by two different organisations. These issues and many more had been raised with the government during consultation. Addressing the resource implications of the transfer, Simon Lane explained that 4 members of staff had transferred out of the organisation which equated to a saving of approximately £200k; however, a sum in excess of this figure would be deducted from the council's admin claim. A small amount of money had been dedicated to funding a position to liaise with the DWP and provide information required for their investigations. With regard to Brent's performance in property recovery against that of other London Boroughs, Simon Lane confirmed that it was good.

The Chair thanked the officers for their contribution to the meeting and commended the officers of the Audit and Investigation team for the internal audit progress report. The Chair then drew the committee's attention to those audit projects which had received limited assurance and following discussion, it was agreed that the committee would explore in greater detail the No Recourse to Public Funds (Adolescent Prevention Service) audit.

RESOLVED:

That the progress made in achieving the 2014/15 Internal Audit Plan; the review of fraud and the limited assurance reports as set out in appendix 1 to the report be noted.

6. KPMG Annual Audit Letter

Phil Johnstone (Director of KPMG) introduced the Annual Audit Letter, 2013/14 which summarised the key finding from the audit of the authority's 2013/14 financial statements and Value for Money (VFM) conclusions. He stated that an unqualified opinion had been issued regarding the council's financial statements on 30 September 2014, which meant that the statements were considered to give a true and fair view of the financial position of the Authority as at 31 March 2014. A few minor issues had been identified and these were detailed in the Annual Audit Letter before the committee. An unqualified conclusion on the Authority's arrangements to secure value for money for 2013/14 was also issued on 30 September 2014. This meant that KPMG were satisfied that the council had proper arrangements for securing financial resilience and challenging how it secured economy, efficiency and effectiveness. Accordingly, KPMG had issued the Audit Certificate on 30 September 2014 to confirm completion of the 2013/14 audit. Phil Johnstone concluded his presentation by noting the final fee for KPMG for 2013/14 audit work was £266,120 compared to the planned fee of £263,520; this was a small increase, though accounting for the decrease in the fee for the grant certification work, there was a net decrease in the audit fee for 2013/14.

RESOLVED:

- (i) That the Annual Audit Letter 2013/14 be noted.
- (ii) That it be noted that the Audit Certificate had been issued on 30 September 2014.

7. National Fraud Initiative - Outcomes and Information for Elected Members and Decision Makers 2012/13

The committee considered a report and presentation on the National Fraud Initiative circulated to all local authorities by the Audit Commission. Simon Lane advised that the presentation was intended to give members an oversight of how the council compared to other local authorities for boroughs of similar size and demographics. The National Fraud Initiative was a sophisticated data matching exercise which drew on data from government departments, the local authority, NHS, police and other public bodies, to detect and prevent fraud. This exercise was routinely undertaken by the Audit Commission every two years. Highlighting the key outcomes of the most recent NFI exercise for Brent, Simon Lane advised that 16,000 possible matches were identified. Enquiries had been undertaken with regard to 490 (3 per cent) of these matches, against an average of 3,824 (19 per cent) at comparable authorities. Members were informed that it was considered that the average figure of 3,824 did not represent full investigations and rather indicated that various matches were 'closed' by other routine processing. Referring to the NFI outcomes detailed in the report, Simon Lane noted that the council was only just below the national average and though Brent's performance required improvement,

this outcome was indicative of well-targeted resources. Simon Lane concluded his introduction by drawing the committee's attention to the questions posed by the Audit Commission for members' consideration.

The committee agreed that the outcomes achieved against the number of matches investigated were good. A view was put that it would be helpful to know which authorities comprised the group against which the council was being compared. Simon Lane advised that details of the composition of the group could be provided, though it would not reveal which authorities were the highest performers. It was agreed that a request for this information could be made of the Audit Commission.

RESOLVED:

That the report and presentation on the National Fraud Initiative be noted.

8. **Any other urgent business**

None.

9. **Date of next meeting**

The committee noted that the next meeting was scheduled for 7 January 2015.

The meeting closed at 9.25 pm

D Ewart
Chair



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Mr Conrad Hall
Chief Finance Officer
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Our ref

18 December 2014

Dear Conrad

Certification of claims and returns - annual report 2013/14

The Audit Commission requires its external auditors to prepare an annual report on the claims and returns it certifies for each client under the Audit Committee regime. This letter is our annual report for the certification work we have undertaken for 2013/14.

In 2013/14 we carried out certification work on the following claims and returns:

Claim/return	Certified value (£)
BEN01 – Housing Benefit Subsidy claim	349,690,275
CFB06 – Pooling of Housing Capital Receipts return	10,076,656
Total	359,766,931

Matters arising

Our certification work did not identify any issues or errors with the Pooling of Housing Capital Receipts return on which we issued an unqualified certificate with no amendments made to the return.

For the Housing Benefit Subsidy claim, the Authority identified 83 cases referred to them by Brent Mental Health Service totalling £1,177,334 that had been mis classified within the claim. The Authority corrected this which resulted in an increase of subsidy due to the Authority of £332,439.

We identified during the initial audit work on 60 cases, five errors either relating to classification on the claim or the amount paid to the claimant. These included:

- Incorrect non-dependent deductions made;
- An extended payment incorrectly awarded; and
- Errors in the calculation of self-employed income.

The Authority tested further cases for each error found and out of 80 cases tested for self-employed income, the amounts included in the calculation for individual housing benefit claims could either not be fully supported or was incorrectly calculated in 33 cases. This resulted in four overpayments, nine errors which did not change the value of the individual claims and 20 which would have resulted in underpayments based on the information on file.

As a result of our testing we qualified the Housing Benefit Subsidy claim. The total extrapolated error, based on the errors found, we reported in our qualification letter was approximately £100,000.

In our 2012/13 Certification Annual Report we raised three recommendations relating to the housing benefit grant claim. Of these, we are satisfied that the Council has addressed two of the recommendations. However, the third recommendation on removing errors in rent and income figures used has not been addressed as there has been a significant increase in the number of cases which could either not be evidenced or disagreed to the evidence available this year. The main area we identified where evidence to support individual claims either disagreed or was not available was self-employed income, including eligible deductions.

In addition in 2012/13 Certification Annual Report there was one recommendation relating to the National Non Domestic Grant Return that is no longer certified. This recommendation related to maintaining audit evidence. We have not followed up the Council's progress in implementing this recommendation as we are no longer required to certify the return. Full details of our 2012/13 recommendations are included in Appendix 2.

Certification work fees

The Audit Commission set an indicative fee for our certification work of £29,998 for the work required for 2013/14. Our actual fee was the same as the indicative fee, and this compares to the 2012/13 fee for these claims of £35,316. The key reason for the decrease in the Housing benefit subsidy claim fee was that Council Tax Benefit ceased on 31 March 2013 and thus was not included on the claim, reducing the amount of audit required.

The details are set out in the table below.



Claim	2013/14 Indicative fee (£)	2013/14 Final fee (£)	2012/13 Final fee (£)
BEN01 – Housing Benefit subsidy claim	27,753	27,753	33,566
CFB06 – Pooling of Housing Capital Receipts	2,245	2,245	1,750
Total	29,998	29,998	35,316

In 2012/13, we also certified the National Non Domestic Rates return and the Teachers’ Pension return under the Audit Commission’s regime.

Yours sincerely

Philip Johnstone
Director

Appendix 1 – 2013/14 Certification of Claims and Returns Action Plan

Priority rating for recommendations			
<p>One: 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>Two: 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>Three: 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>	
Number	Issue	Recommendation	Priority
1	<p>Specific testing on 80 cases for self employed income found either errors or evidence not available to support the figures used on individual claims in 33 of the 80 cases.</p>	<p>Review in detail the reasons for errors in this specific area and put in place arrangements to ensure all figures used in the calculation of self employed income are accurate and fully supported.</p>	One
			<p>Comment/Responsible officer/Due date</p> <p>A process is being put in place to ensure that all self employed cases are documented properly (including standard templates that must be used for recording expenses) and there will be a full check on compliance starting in January 2015. This will also assist in improving accuracy of self employed assessments.</p> <p>Subsidy and Policy Manager January 2015</p>

Appendix 2 – Follow up of 2012/13 Certification of Claims and Returns Recommendations

Number	Prior year recommendation	Priority	Status as at November 2014	Management comments
Housing Benefit				
1	Ensure that there is sufficient capacity in the benefits department to respond to audit queries in a timely way	Two	There was an overall improvement in response times this year although, for some audit queries, the time taken to respond was longer than we experience at other authorities.	We accept this recommendation and shall ensure that extra resources are made available in anticipation of the extra work during the audit period. Subsidy and Policy Manager October 2015
2	Ensure that errors identified in this year's audit are addressed as part of training benefit assessors.	Three	There was a significant increase in the number of errors or lack of evidence to support figures used in 2013/14, mainly relating to self employed income. See Appendix 1.	See above. Other areas where errors were identified will also be highlighted for extra checking and training if necessary. Subsidy and Policy Manager January 2015
3	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	Two	No errors relating to the rent cap were identified.	Not applicable
National Non Domestic Rates				
4	Ensure that evidence to support deferral schemes and all claim entries is available upon request.	Three	This claim is no longer required to be certified. We have not followed this recommendation up.	Not applicable

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 Philip Johnstone, who is the engagement leader to the Authority (telephone 020 7311 2091, e-mail 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) 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, 3rd Floor, Fry Building, 2 Marsham Street, London, SW1P 4DF or by email to complaints@audit-commission.gsi.gov.uk. Their telephone number is 0303 444 8330.



cutting through complexity

Page 13

External audit progress report and technical update

London Borough of Brent
January 2015

Agenda Item 6



External audit progress report and technical update – January 2015

This report provides the Audit Committee with an overview on progress in delivering our responsibilities as your external auditors.

Within it we will flag publications/articles that we believe may be of interest to the Committee.

The report also highlights technical issues which are currently having an impact in local government.

If you require any additional information regarding the issues included within this report, please contact a member of the audit team.

Progress Report	3
KPMG/Shelter report: Fix the housing shortage or see house prices quadruple in 20 years	5
Technical issues and items for information	7
Audit Deliverables 2014/15	16

This document provides the Audit Committee with a high level overview on progress in delivering our responsibilities as your external auditors.

At the end of each stage of the audit we issue certain deliverables, including reports and opinions. A summary of progress against these deliverable is provided in Appendix 1 of this report.

2013/14 financial year	<p>We have completed our audit for the 2013/14 financial year since the last Audit Committee by:</p> <ul style="list-style-type: none"> ▪ Certified your Housing Benefit subsidy claim – details of the findings are included in our grant claim and return report: ▪ Issued our Grant claim and return report – included as a separate item on the agenda: and ▪ Given our report on your Teachers' Pension return. The return was qualified as our sample included a teacher who left on 5 April 2013 and the contribution rate used to calculate the employee's deduction for these 5 days was made at the 2012/13 rate of 7.6% rather than the 2013/14 rate of 8.8%. Testing on contribution rates for other teachers in the sample did not identify any other errors.
Summary of work performed by KPMG for 2014/15 financial year to date and for the next quarter	<p>We will update our risk assessments as part of our preparation for our detailed planning work in the next quarter to determine our audit plans for the Authority and the Pension Fund. This will include a detailed review of Authority's minutes, discussions with senior officers and consideration of changes in legislation and accounting requirements.</p> <p>In line with auditing standards, we will present our detailed annual plan to the Audit Committee in March 2015. This will highlight the key risks to our audit at the planning stage and our response to these for the Authority and Pension Fund in 2014/15.</p> <p>We will also carry out our VFM conclusion risk assessment and use the updated guidance issued by the Audit Commission in October 2014. The scope of the assessment is consistent with that in previous years and will focus on your arrangements for securing financial resilience and ensuring economy, efficiency and effectiveness in your use of resources. We will discuss any specific significant risks to the VFM conclusion with senior officers and highlight our planned response and any additional work required</p> <p>There are no audit concerns that we need to raise with the Audit Committee in relation to the audit of the accounts or the VFM conclusion from our knowledge to date.</p>
Audit fee update for 2014/15	<p>The proposed audit fee for 2014/15 remains at £263,520 for the Authority's audit and £21,000 for the Pension Fund.</p>

Area	Comments
<p>KPMG/Shelter report: Fix the housing shortage or see house prices quadruple in 20 years</p>	<p>Without a radical programme of house building, average house prices in England could double in just ten years to £446,000, according to new research. In twenty years they could quadruple, with the average house price estimated to rise to over £900,000 by 2034 if current trends continue.</p> <p>The research from KPMG and Shelter also reveals that more than half of all 20-34 year olds could be living with their parents by 2040, as soaring housing costs caused by the shortage of affordable homes leave more and more people priced out of a home of their own.</p> <p>The warning comes as KPMG and Shelter launch a landmark new report, outlining how the 2015 government can turn the tide on the nation's housing shortage within a single parliament. With recent government figures showing that homeownership in England has been falling for over a decade, the consequences of our housing shortage are already being felt.</p> <p>The report sets out a blueprint for the essential reforms that will increase the supply of affordable homes and stabilise England's rollercoaster housing market. It calls on politicians to commit to an integrated range of key measures, including:</p> <ul style="list-style-type: none"> ■ Giving planning authorities the power to create 'New Homes Zones' that would drive forward the development of new homes. Combined with infrastructure, this would be led by local authorities, the private sector and local communities, and self-financed by sharing in the rising value of the land. ■ Unlocking stalled sites to speed up development and stop land being left dormant, by charging council tax on the homes that should have been built after a reasonable period for construction has passed. ■ Introducing a new National Housing Investment Bank to provide low cost, long term loans for housing providers, as part of a programme of innovative ways to finance affordable house building. ■ Helping small builders to get back into the house building market by using government guarantees to improve access to finance. ■ Fully integrating new homes with local infrastructure and putting housing at the very centre of City Deals, to make sure towns and cities have the power to build the homes their communities need. <p>To read the report, visit https://portal.ema.kworld.kpmg.com/uk/Documents/NewsroomDocs/2014/KPMG%20Shelter%20report%20FINAL.pdf.</p> <p>For more information, please contact either Phil Johnstone or Steve Lucas.</p>

Area	Level of Impact	Comments
National Audit Office consultation: Draft Code of Audit Practice for the audit of local public bodies	● For information	<p>On Friday 19 September 2014 the National Audit Office (NAO) launched its consultation on the draft Code of Audit Practice for the audit of local public bodies. Subject to Parliamentary approval, the Code will take effect from 1 April 2015 for audit work relating to the 2015/16 financial year onwards.</p> <p>The NAO sought views and comments on the draft Code. In particular, the views of audited bodies were sought on how valuable the work carried out each year on value-for-money arrangements is. The closing date for consultation responses was 31 October 2014.</p> <p>For more information visit http://www.nao.org.uk/keep-in-touch/our-surveys/consultation-code-audit-practice/</p>
Invitation to Comment and Simplification and Streamlining the Presentation of Local Authority Financial Statements	● For information	<p>CIPFA and CIPFA/LASAAC have recently consulted on the Simplification and streamlining of the presentation of local authority financial statements.</p> <p>The consultation focused on the reporting of local authority performance and therefore on the comprehensive income and expenditure statement, the movement in reserves statement and the segmental reporting requirements specified in the Code of practice on local authority accounting in the United Kingdom. As an important part of reporting performance, it also considered the narrative reporting requirements which would accompany the financial statements.</p> <p>The consultation closed on 19 September 2014.</p>
Consultation on Local Government Pension Scheme	● For information	<p>The government has continued to consult on new governance arrangements and how the costs of schemes can be controlled, and sought responses from interested parties on the draft (pension) regulations.</p> <p>The consultation closed on 21 November 2014.</p> <p>Further information can be found at http://www.lgpsregs.org/images/Drafts/2014-10BetterGov.pdf</p>

Area	Level of Impact	Comments
Council tax and business rates income rises, despite £4.55 billion uncollected	● For information	<p>The Audit Commission has published Council tax and business rates collection: an update (November 2014), using publicly available data from its Value for Money (VFM) Profiles Tool. The update to two previous briefings, examining English councils' collection rates and costs of collecting council tax and business rates, reveals that £4.55 billion remained unpaid at the end of March 2014. The uncollected £4.55 billion is equivalent to the cost of building close to 300 secondary schools.</p> <p>The report can be found at http://www.audit-commission.gov.uk/2014/11/council-tax-and-business-rates-exceed-targets-despite-4-55-billion-uncollected/</p>
Highest value of fraud detected by Councils since Audit Commission started collecting records	● For information	<p>Fraud valued at £188 million was detected by England's councils in 2013/14, a ten-fold increase since 1990. The figure beats all records for the past 25 years, the Audit Commission revealed in its latest report on fraud in local government. Protecting the Public Purse 2014 Fighting Fraud against Local Government, the final one being issued before the Commission closes at the end of March 2015, looks at the landscape of fraud against councils and how this has changed since 1990, when the Audit Commission first turned the spotlight on to local government fraud with its 'Protecting the Public Purse' reports.</p> <p>The report can be found at http://www.audit-commission.gov.uk/2014/10/highest-value-of-fraud-detected-by-councils-since-audit-commission-turned-the-spotlight-on-25-years-ago/</p>
Audit fee consultation	● For information	<p>The Audit Commission is consulting on reducing audit fees for local public bodies by £30 million from 2015 to 2017.</p> <p>The Commission launched its final consultation on work programme and scales of audit fees relating to the 2015/16 financial year. The fees will reduce by 25 per cent, following the Commission's retendering in March 2014 of the work done under its older contracts. The latest reduction is in addition to the 40 per cent drop in fees made by the Commission in 2012.</p>
Public Accounts Committee report – Local government funding: assurance to Parliament	● For information	<p>The Public Accounts Committee has published a report on funding for local authorities. This found that whilst the Department for Communities and Local Government (DCLG) has increased flexibility for local government spending, allowing local authorities to use government funding according to local priorities, DCLG cannot be sure that the local accountability system is ensuring that local authorities are achieving value for money with their funding.</p> <p>The report can be found at http://www.publications.parliament.uk/pa/cm201415/cmselect/cmpubacc/456/456.pdf</p>

Area	Level of Impact	Comments
VFM data briefing on expenditure on looked after children	● For information	<p>The Audit Commission has published Councils' expenditure on looked after children, the latest in its series of VFM data briefings analysing data in the VFM profiles.</p> <p>The briefing reports that, although the number of looked after children increased by 12 per cent between 2008/09 and 2012/13, councils' expenditure increased by only 4 per cent. Reductions in the daily cost of care and an increase in the proportion of children receiving foster care saved a total of £239 million, partially offsetting the spending pressure arising from the increased number of children in care.</p> <p>The briefing looks in more detail at some of the factors which influence how much councils spend on foster care and encourages councils to use the VFM Profiles to compare their costs with those of similar councils.</p> <p>The briefings can be found at: http://www.audit-commission.gov.uk/information-and-analysis/value-for-money-briefings-2</p>
Tool launched to help councils compare care performance on social care	● For information	<p>The Department of Health has launched a new tool to help councils compare their performance on social care with similar areas across England. The tool groups upper tier and unitary authorities by their spending on the over-65s and working age adults with learning disabilities. The aim is to help local authorities see how they are meeting various indicators, and to identify areas for improvement by viewing the performance of their peers.</p> <p>The tool can be found at: https://www.gov.uk/government/publications/adult-social-care-efficiency-tool</p>
Government plans to regulate public sector exit payments	● For information	<p>The government has recently consulted on proposals to ensure exit payments are recovered when high earners return to the same part of the public sector within twelve months of leaving. The proposed provisions will be included in the Small Business, Enterprise and Employment Bill.</p> <p>The consultation outlined the government's proposal to underpin exit payment recovery across the public sector. The government expects any changes brought about following this consultation to support existing or on-going changes to exit payment arrangements to ensure they are fair and promote value for money more widely.</p> <p>More information can be found at https://www.gov.uk/government/consultations/recovery-of-public-sector-exit-payments</p>

Area	Level of Impact	Comments
The NAO's role in local audit	● For information	<p>The National Audit Office (NAO) is taking on new responsibilities in the new framework for the audit of local bodies. The NAO has produced a leaflet which provides information on its new role, examples of its recent value for money work focused on local services, and contact details for you to provide views and suggestions or to ask questions about its work.</p> <p>For more information, visit http://www.nao.org.uk/report/the-naos-role-in-local-audit/</p>
Local government funding: Assurance to Parliament (NAO report)	● For information	<p>A recent NAO report examines how the Department for Communities and Local Government (DCLG) has implemented and oversees the assurance framework that enables departments to assure Parliament on funding for local authorities following the changes in the 2010 Spending Review to give local authorities more control over their funding. The report finds that under current arrangements DCLG's monitoring information gives limited insight into whether value for money is being achieved in practice. It also suggests that departments should assess whether continuing to fund local authorities through un-ringfenced targeted grants is appropriate in the context of a locally-defined approach to achieving value for money.</p> <p>To view the report, visit http://www.nao.org.uk/report/local-government-funding-assurance-to-parliament/</p>
Maintaining strategic infrastructure: roads (NAO report)	● For information	<p>The NAO has published a report on Maintaining strategic infrastructure: roads. This report highlights how the lack of predictability of funding for highways authorities has practical implications for the roads network and may lead to increased costs in the long term. Although the report focuses primarily on central government responsibilities it may be of interest to you for your highways management responsibilities.</p> <p>To read the report, visit http://www.nao.org.uk/report/maintaining-strategic-infrastructure-roads/</p>
Tenfold difference in outsource spending revealed (Local Government Chronicle article)	● For information	<p>"Exclusive analysis has revealed a tenfold difference in the amount councils spend per head of population on outsourced services.</p> <p>Figures from a database of councils' published receipts for 2012-13 show a huge gulf in the amount spent by top-tier councils with organisations in the private, public and voluntary sectors. Wigan MBC spent just £116 with outside providers per head of population, compared with over £1,000 at several London boroughs and £1,450 at Southend BC.</p> <p>The data, compiled by research firm Porge and analysed by Local Government Chronicle, presents a broad picture of the total trade top-tier councils carried out with other organisations, based on all published receipts for expenditure over £500. It shows councils spent £30.5bn with outside providers in 2012-13. Alongside classic outsourcing expenditure, such as waste contracts, this includes capital schemes such as house building and payments to financial institutions."</p>

Appendix 1 – 2014/15 Audit deliverables – Authority and Pension Fund


Deliverable	Purpose	Timing	Status
Planning			
Fee letter	Communicate indicative fee for the audit year.	April 2014	Issued April 2014
External audit plan	Outline our audit strategy and planned approach. Identify areas of audit focus and planned procedures.	March 2015	Not yet due
Interim			
Interim progress update – progress report	Details and resolution of control and process issues. Identify improvements required prior to the issue of the draft financial statements and the year-end audit. Initial VFM assessment on the Authority's arrangements for securing value for money in the use of its resources.	June 2015	Not yet due
Substantive procedures			
Report to those charged with governance (ISA+260 report)	Details the resolution of key audit issues. Communication of adjusted and unadjusted audit differences. Performance improvement recommendations identified during our audit. Commentary on the Authority's value for money arrangements.	Draft August 2015 Final September 2015	Not yet due
Completion			
Auditor's report	Providing an opinion on your accounts (including the Annual Governance Statement). Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the VFM conclusion).	September 2015	Not yet due
WGA	Concluding on the Whole of Government Accounts consolidation pack in accordance with guidance issued by the National Audit Office.	September 2015	Not yet due
Annual audit letter	Summarise the outcomes and the key issues arising from our audit work for the year.	October 2015	Not yet due
Certification of claims and returns			
Certification of claims and returns	Summarise the outcomes of certification work on your claims and returns.	December 2015	Not yet due



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 Brent	<p style="text-align: center;">Audit Committee 7 January 2015</p> <p style="text-align: center;">Report from the Chief Finance Officer</p>
<p>For Information Wards Affected: ALL</p>	
Treasury Management Strategy 2015/16	

1. Summary

- 1.1. This report presents the draft Treasury Management Strategy for 2015/16 for consideration by the Committee. The final version of the Strategy, incorporating the views of the Committee, will be included in the budget report to be approved by the Council on 2 March 2015.

2. Recommendations

- 2.1 The Audit Committee considers and comments on the draft strategy.

3. Detail

- 3.1 The Strategy will set the framework for Treasury Management activity in 2015/16 and includes:
- Current levels of borrowing and investments
 - Interest rate outlook
 - Approach to future borrowing
 - Approach to future investments
- 3.2 The draft strategy is set out in Appendix 1.

4. Financial Implications

- 4.1 The Council's external interest budget is for 2014/15 is £17.0m, with budgeted investment income of £0.6m. The minimum revenue provision (set aside for the repayment of debt) is £11.3m. The setting of the capital financing budget for 2015/16 will form part of the overall budget decision to be taken by the Council on 2 March 2015.

5. Legal Implications

5.1 None directly arising from this report.

6. Diversity Implications

6.1 None directly arising from this report.

7. Staffing Implications

7.1 None directly arising from this report.

8. Background Papers

Annual Treasury Strategy – Report to Full Council as part of the Budget Report – March 2014.

9. Contact Officer Details

Chris Thompson, Principal Treasury Officer 020 8937 1474

Conrad Hall
Chief Finance Officer

Appendix 1

TREASURY MANAGEMENT STRATEGY STATEMENT

Introduction

1. The Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Public Services requires local authorities to determine their Treasury Management Strategy Statement (TMSS).
2. As per the requirements of the Prudential Code of Practice, 2011, the Authority has adopted the CIPFA Treasury Management Code and reaffirmed its adoption at its annual Budget meeting, most recently on 3 March 2014.
3. The purpose of this TMSS is, therefore, to set out the following:
 - i. Treasury Management Strategy for 2015/16
 - ii. Annual Investment Strategy for 2015/16

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

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

Capital Financing Requirement

5. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR). The CFR, together with usable reserves, are the core drivers of the Authority's Treasury Management activities.
6. At 30 November, 2014 the Authority's had £432m of long and short-term debt and £142m of investments. These are set out in further detail below.

Existing Investment & Debt Portfolio Position

Table 1

	30/11/2014 Actual Portfolio £m	30/11/2014 Average Rate %
External Borrowing:		
PWLB – Maturity	288	5.01
PWLB – EIP	41	2.55
Local Authorities	7	0.27
LOBO Loans	96	4.73
Total Gross External Debt	432	4.64
Investments:		
Market Deposits	139	0.63
Money Market Funds	3	0.48
Total Investments	142	0.63
Net Debt	290	

- 7 The movement in actual external debt and usable reserves combine to identify the Authority's borrowing requirement and potential investment strategy in the current and future years. The Authority's current strategy is to maintain borrowing at the lowest level possible unless interest rate prospects present a clear case for taking long term borrowing ahead of immediate requirements. The Council's CFR is greater than its borrowing and this is likely to continue over the medium term.

Interest Rate Forecast

- 8 Arlingclose forecast that official UK Bank Rate will remain at 0.5%, possibly into 2016. Any rise would then be relatively modest. Officers will monitor developments with the advice of Arlingclose but giving due regard to other published information.

Borrowing Strategy

- 9 The Council currently holds a significant cash balance at present and this seems likely to continue for the next two or three years at least. This occurs in a situation in which longer term rates are significantly in excess of short term rates. If borrowing is undertaken in this environment there will be a net cost of holding this money until it is used, sometimes called the "cost of carry". As borrowing is often for longer dated periods (anything up to 60 years) the cost of carry needs to be considered against a backdrop of uncertainty and affordability constraints in the Authority's wider financial position. Therefore the Council does not intend to borrow in advance of need to fund its activities.

- 10 The Authority will adopt a flexible approach to any future long-term borrowing in consultation with its treasury management advisers, Arlingclose Ltd. The following issues will be considered prior to undertaking any external borrowing:
- Affordability;
 - Maturity profile of existing debt;
 - Interest rate and refinancing risk;
 - Borrowing source.

Sources of Borrowing and Portfolio Implications

- 11 In conjunction with advice from Arlingclose, the Authority will keep under review the following borrowing sources:
- Internal balances
 - PWLB
 - Other local authorities
 - European Investment Bank
 - Leasing
 - Structured finance
 - Capital markets (stock issues, commercial paper and bills)
 - Commercial banks
- 12 The cost of carry has resulted in an emphasis on the use of internal resources and then increased use of shorter dated borrowing and repayment by Equal Instalments of Principal (EIP). This type of borrowing injects volatility into the debt portfolio in terms of interest rate risk but is counterbalanced by its affordability and borrowing costs closer to investment returns. It also maintains an element of flexibility to respond to possible future changes in the requirement to borrow. The Authority's exposure to shorter dated and variable rate borrowing is kept under regular review.
- 13 The Authority has £95.5m exposure to LOBO loans (Lender's Option Borrower's Option) of which £56.0m of these can be "called" within 2015/16. A LOBO is called when the Lender exercises its right to amend the interest rate on the loan, at which point the Borrower can accept the revised terms or reject them and repay the loan without penalty. LOBO loans present a potential refinancing risk to the Authority since the decision to call a LOBO is entirely at the lender's discretion which is compensated for by a lower interest rate being paid. This risk is somewhat mitigated by the fact that the Council's current cash holdings mean that any repayment could be accommodated by reducing deposits in a relatively short time.
- 14 Any LOBOs called will be discussed with Arlingclose prior to acceptance of any revised terms. The default position will be the repayment of the LOBO without penalty i.e. the revised terms will not be accepted. In the current environment it is unlikely that LOBOs will be called, but officers are confident that if any are these could be repaid from resources available, or refinanced more cheaply if this was felt to be advantageous.

Debt Rescheduling

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

Annual Investment Strategy

- 18 In accordance with investment guidance issued by the Department for Communities and Local Government (CLG), and best practice, this Authority's primary objective in relation to the investment of public funds remains the security of capital. The liquidity or accessibility of the Authority's investments is secondary, followed by the yield earned on investments.
- 19 The Authority and its advisors remain alert for signs of credit or market distress that might adversely affect the Authority.
- 20 Investments are categorised as Specified or Non-Specified within the investment guidance issued by the CLG. Specified investments are sterling denominated investments with a maximum maturity of one year. They are also of a high credit quality as determined by the Authority and are not investments that needed to be accounted for as capital expenditure. Non-specified investments are, effectively, everything else. Investments for more than a year remain non-specified until they mature.
- 21 The types of investments that will be used by the Authority and whether they are specified or non-specified are as follows:

Table 2: Specified and Non-Specified Investments

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

- 22 Registered Providers (Housing Associations and Registered Social Landlords) have been included within specified and non-specified investments for 2015/16. Any investments with Registered Providers will be analysed on an individual basis and discussed with Arlingclose prior to investing.
- 23 The minimum credit rating for non-UK sovereigns is AA+ (or equivalent). For specified investments the minimum long term rating for counterparties is A- (or equivalent). Within these criteria the Chief Finance Officer (CFO) will have discretion to accept or reject individual institutions as counterparties on the basis of any information which may become available. The countries and institutions that currently meet the criteria for investments are included in Annex A. The Council uses the lowest rating quoted by Fitch, Standard and Poor or Moody, as recommended by CIPFA.
- 24 Any institution will be suspended or removed should any of the factors identified above give rise to concern, and caution will be paramount in reaching any investment decision regardless of the counterparty or the circumstances. Credit ratings are monitored continually by the Authority, using the advice of Arlingclose on ratings changes, and action taken as appropriate.
- 25 The Authority banks with National Westminster Bank (Natwest). At present, Natwest does not meet the Authority's minimum credit criteria (its Moody's rating is Baa1). While it does not give cause for immediate concern, its status

is being monitored and the necessary actions should it deteriorate have been considered. In the meantime, as far as is consistent with operational efficiency, no money is being placed with Natwest and credit balances in the various Council accounts are being kept to a minimum level.

Investment Strategy

- 26 With short term interest rates expected to remain low for some time, an investment strategy will typically result in a lengthening of investment periods, where cash flow permits, in order to lock in higher rates of acceptable risk adjusted returns
- 27 Following on from the banking crisis of 2008/09 and government interventions to prevent the collapse of the banking system, there has been an increase in legislative restrictions on the extent and manner in which public money can be used in the event of an impending bank failure. In future, governments will be unable to invest public money to rescue banks in difficulty until a significant contribution has been made by those who have certain kinds of investments in the bank concerned, a process called "Bail in". These include deposits by those deemed to be in a position to assess the risk involved, including local authorities.
- 28 Secured deposits of various kinds are not included in bail in provisions. Some other forms of deposits are, but can be sold if felt to be at risk. It is likely that the Council's preferred instruments in lending to institutions without some kind of government guarantee will increasingly be in the form of secured or marketable instruments.
- 30 In order to diversify a portfolio largely invested in cash, investments will be placed with a number of approved counterparties over a range of maturity periods. Maximum investment levels with each counterparty will be set by the Chief Finance Officer to ensure that prudent diversification is achieved.
- 31 Money market funds (MMFs) will be utilised but good treasury management practice prevails, and whilst MMFs provide good diversification, the Authority will also seek to mitigate operational risk by using at least two MMFs where practical. The Authority will also restrict its exposure to MMFs with lower levels of funds under management and will not exceed 0.5% of the net asset value of the MMF. In addition, each Fund will be limited to a maximum deposit of £10m and no more than half the Council's deposits will be placed with MMFs.
- 32 The investment strategy will provide flexibility to invest cash for periods of up to 370 days in order to access higher investment returns, although lending to UK local authorities can be for up to 5 years. The upper limit for lending beyond a year is £20m. In practice, lending for more than one year will be only to institutions of the highest credit quality and at rates which justify the liquidity risk involved. Marketable instruments may have longer maturities, though the maturity will be considered in conjunction with the likely liquidity of the market and credit quality of the institution.

- 33 Collective Investment Schemes (Pooled Funds):
The Authority has evaluated the use of Pooled Funds and determined the appropriateness of their use within the investment portfolio. Pooled funds enable the Authority to diversify the assets and the underlying risk in the investment portfolio and provide the potential for enhanced returns. Investments in pooled funds will be undertaken with advice from Arlingclose. The Authority currently has no investments in Pooled Funds at present, but is likely to make prudent use of them in the future.
- 34 Investment Policy:
Treasury Management in the Public Services: Code of Practice (the Code) was updated in November 2011, with a greater focus on risk management and significance of capital security as the Council's primary objective in relation to investments.
- 35 The Council maintains, as the cornerstones for effective treasury management:-
- A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities
 - Suitable treasury management practices (TMPs), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

Policy on Use of Financial Derivatives

- 36 The Authority does not currently use standalone financial derivatives (such as swaps, forwards, futures and options) and will only do so where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives will not be subject to this policy. Where schemes contain an embedded derivative they will be subject to evaluation as part of the appraisal of the particular scheme.
- 36 Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and any relevant foreign country limit.
- 37 The Authority will only use derivatives after seeking expertise, receiving a legal opinion and ensuring officers have the appropriate training for their use.

Policy on apportioning Housing Revenue Account (HRA)

- 38 Local authorities are required to recharge interest expenditure and income attributable to the HRA in a way which is fair to the HRA without detriment to the General Fund. The guidance is very general, so the Council is required to adopt a policy that will set out how interest charges attributable to the HRA will be determined. The CIPFA Code recommends that local authorities outline this policy in their TMSS.

- 39 As of 1 April 2012, the Council notionally split each of its existing long-term loans into General Fund and HRA pools. Individual loans or parts of loans have been allocated to the HRA, on the basis of achieving the same long term rate as that which applied to the General Fund at the self financing date. In the future, new long-term borrowing will be assigned in its entirety to one pool or the other, allocating the costs and benefits to each accordingly.
- 40 Differences between the value of the HRA loans pool and the HRA's underlying need to borrow will result in a notional element of internal borrowing. This balance will be assessed over the year and interest charged to the HRA at an appropriate rate for short term borrowing. The HRA will also hold reserves and balances which will be invested with the Council, and interest will be paid on identified balances at a rate which recognises that any investment risk is borne by the General Fund.

Monitoring and Reporting on the Treasury Outturn and Prudential Indicators

- 41 The CFO will report to the Audit Committee, Cabinet and Full Council on treasury management activity as follows:
- Annually, against the strategy approved for the year.
 - A mid-year report on the implementation of strategy and main features of the year's activity to date.

Training

- 42 CIPFA's Code of Practice requires the CFO to ensure that all members with treasury management responsibilities, including scrutiny of the treasury management function, receive appropriate training relevant to their needs and understand fully their roles and responsibilities. Arlingclose delivered a training session for members on 24 November, 2014. Staff regularly attend training courses, seminars and conferences provided by Arlingclose, CIPFA and others. Relevant staff are also encouraged to study for professional qualifications from CIPFA and other appropriate organisations.

Treasury Management Advisers

- 43 The Authority uses Arlingclose as Treasury Management Advisors and receives the following services:
- Credit advice
 - Investment advice
 - Technical advice
 - Economic & interest rate forecasts
 - Workshops and training events
 - HRA support
 - Other matters as required

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

Annex A**ANNUAL INVESTMENT STRATEGY 2015/16****List of institutions which meet the Council's credit worthiness criteria:**

Jurisdiction	Counterparty
UK	Lloyds TSB/ Bank of Scotland
UK	Barclays Bank plc
UK	Close Brothers Ltd
UK	Goldman Sachs International
UK	HSBC Bank plc
UK	Leeds Building Society
UK	Nationwide Building Society
UK	Santander UK plc
UK	Standard Chartered Bank
Australia	Australia and N Z Banking Group
Australia	Commonwealth Bank of Australia
Australia	National Australia Bank Ltd
Australia	Westpac Banking Corp
Canada	Bank of Montreal
Canada	Bank of Nova Scotia
Canada	Canadian Imperial Bk of Commerce
Canada	Royal Bank of Canada
Canada	Toronto-Dominion Bank
Finland	Nordea Bank
Finland	Pohjola Bank plc
Germany	Deutsche Bank AG
Germany	Landesbank Hessen-Thuringen
Netherlands	Bank Nederlandse Gemeenten
Netherlands	Cooperatieve Centrale Raiffesen
Netherlands	ING Bank NV
Singapore	DBS Bank Ltd
Singapore	Oversea-Chinese Banking Corp
Singapore	United Overseas Bank Ltd

Sweden	Svenska Handelsbanken
Switzerland	Credit Suisse AG
US	JPMorgan Chase Bank NA

The list above represents the institutions which meet the criteria at the time of preparation of the strategy. The Authority's Chief Finance Officer may introduce new names which meet the criteria from time to time and may adopt more restrictive limits on maturity or value as seems prudent. The Council may also lend any amount to any UK national or local government body for up to 5 years.

An operational list of institutions which are approved to take deposits from the Council will be prepared and circulated to dealing and approving Officers from time to time. A protocol will also be maintained describing how investments will be chosen and managed.

Group Limits - for institutions within a banking group, the authority may lend the full limit to a single bank within that group, but may not exceed the limit for all group members. All direct investments with a bank or group will be subject to that limit.

Annex B

Non-Specified Investments

Instrument

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

Deposits with registered providers

Gilts

Bonds issued by multilateral development banks

Sterling denominated bonds by non-UK sovereign governments


Money Market Funds rated below AAA and Collective Investment Schemes

Corporate and debt instruments issued by corporate bodies

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

The Authority will hold up to a maximum of £30m in non-specified investments at any time, which may all be in one category subject to individual counterparty limits.

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 <h1>Brent</h1>	<p>Audit Committee 7 January 2015</p> <p>Report from the Chief Finance Officer</p>
<p>For Information</p>	<p>Wards affected: All</p>
<p>Internal Audit Progress Report 2014/15</p>	

1. Summary

- 1.1. This report provides an update on progress against the internal audit plan for the period 1st April 2014 to 31st December 2014. The report also provides a summary of counter fraud work for 2014/15.

2. Recommendations

- 2.1. That the Audit Committee notes the progress made in achieving the 2014/15 Internal Audit Plan, the review of fraud work and the limited assurance reports as set out in appendix 1.

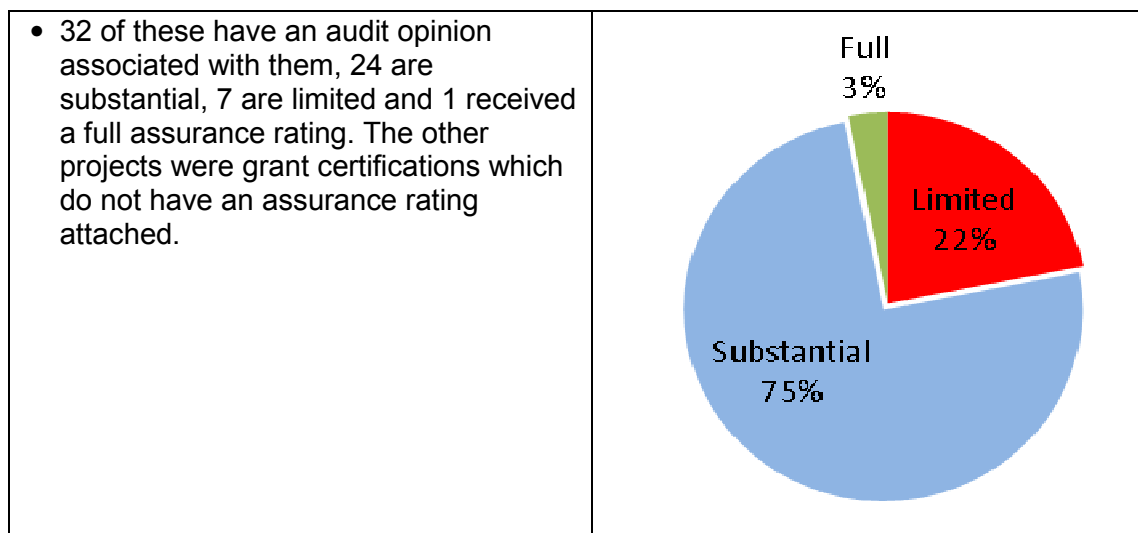
3. Detail

Internal Audit

- 3.1. The Internal Audit Plan for 2014/15 comprises 1,200 days. 905 days will be delivered by Mazars. The in-house resource delivers a further 295 days.

- 3.2. The key points to note with regard to progress for the current year are:

<ul style="list-style-type: none"> • 677 days have been delivered of a total of 1,200. 	<table border="1"> <tr> <th>Category</th> <th>Percentage</th> </tr> <tr> <td>Days Delivered</td> <td>56%</td> </tr> <tr> <td>Days Remaining</td> <td>44%</td> </tr> </table>	Category	Percentage	Days Delivered	56%	Days Remaining	44%	<ul style="list-style-type: none"> • There are 80 projects on the current plan (excluding follow up and advisory work). 41 projects have been completed to draft or final stage 	<table border="1"> <tr> <th>Category</th> <th>Percentage</th> </tr> <tr> <td>Projects Completed</td> <td>51%</td> </tr> <tr> <td>Projects Outstanding</td> <td>49%</td> </tr> </table>	Category	Percentage	Projects Completed	51%	Projects Outstanding	49%
Category	Percentage														
Days Delivered	56%														
Days Remaining	44%														
Category	Percentage														
Projects Completed	51%														
Projects Outstanding	49%														



3.3. A summary report setting out the completed audit work is attached as Appendix 1. The status of all projects planned is set out in table 1 below.

Audit	Plan Days	Total days delivered	Progress	Assurance Opinion
Assistant Chief Executive				
Public Health Grant Receiving Organisations	10	6	WIP	
Review of Payment Processes to Public Health Suppliers and Grant Recipients	3	3	Final Report issued 1/10/14	Non Assurance
Review of Security of Personal Data across PH Providers	10	6	WIP	
Contingency for Public Health work	20		Q4	
Public Health Board Meetings	5	4	Ongoing	
ACE Total	48	19	7 days added back to contingency for Payments	
Adult Social Care				
Adult Commissioning	15		Q4	
Carers	10	7	WIP	
Mental Health	15	10	WIP	
Safeguarding	15	15	Draft Report	Substantial
Appointeeship & Deputyship	15	14	WIP	

Personalisation - Direct Payments & Personal Budgets	20	20	Final Report	Limited
Supporting People	12	12	Final Report	Substantial
ASC Total	102	78		
Schools				
Anson	10	10	Final Report	Substantial
Barham	10	10	Final Report	Substantial
Kilburn Park Junior	10	10	Final Report	Substantial
Michael Sobell Sinai	10	10	Final Report	Substantial
Park Lane	10	10	Final Report	Substantial
Preston Park	10	10	Final Report	Substantial
St Margaret Clitherow	10	10	Final Report	Substantial
St Andrews and St Francis	10	10	Final Report	Substantial
Oakington Manor	10	8	WIP	
St Mary's RC	10	2		
Princess Frederica	10	10	Final Report	Limited
Islamia	10	0	Q4	
JFS	10	10	Draft Report	Limited
Follow up work for the schools with Limited Assurance	7	5	On going	
Schools Total	137	115		
Children and Young People				
Troubled Families Certification Report	15	10	Draft Report	Non Assurance
Troubled Families Grant Claim Certification Families Worked with June 2013	6	6	Final Report	Certified
Troubled Families Grant Claim Certification Payment By Results August 2014	6	8	Final Report	Certified
Troubled Families Grant Claim Certification Payment By Results October 2014	6	8	Final Report	Certified
Troubled Families Grant Claims January 2015	12			
Adoption Allowance Grant Certification	1	1	Final Report	Certified
Adoption Allowances	12	12	Final Report	Non

				Assurance
Care Leavers	10	10	Final Report	Substantial
No Recourse to Public Funds (Adolescent Prevention Service)	10	10	Final Report	Limited
School Admissions	12	12	Final Report	Substantial
C&YP Total	90	77		
Finance				
Accounts Payable	15		Q4	
Accounts Receivable	15		Q4	
General Ledger	15		Q4	
One Oracle Project	5	3	Ongoing	
Treasury Management	10	10	Final Report	Substantial
Cash & Bank	15		Q4	
Finance Total	75	13		
Human Resources				
Pension Administration	15	1	Q4	
Payroll	20		Q4	
HR Total	35	1		
IT				
Information Governance	20	17	Draft Report	Substantial
Acolaid	15	9	WIP	
IT Digital Delivery	15	3	WIP	
One Oracle Post Implementation	20	7	WIP	
Ecoh	12	1	Q4	
IT Contracts	10	10	Final Report	Limited
Contingency for IT projects	5			
Follow up	10	7	Throughout Year	
IT Total	107	54		
ENVIRONMENT & NEIGHBOURHOOD SERVICES				

Parking	20		Q4	
Parking Contract (Special Project)	16	16	Final Report	Substantial
Highways Contract (Special Project)	16	16	Final Report	Substantial
Highways Maintenance	12		Q4	
Public Realm Contracts – Waste & Recycling	12	12	Draft Report	Substantial
Vale Farm Contract	8	3	WIP	
Licensing (Alcohol & Entertainment)	15	15	WIP	
Street Tree Contract	10	10	Final Report	Substantial
Barham Park Trust Accounts	5	5	Final Report	Unqualified
E&N Total	114	77		
Legal and Procurement				
Category Management	15	1	WIP	
Members – Declarations of Interests & Gifts and Hospitality	10	1	WIP	
Election Expenses	10		Q4	
Procurement	20	1	WIP	
L & P Total	55	3		
Regeneration and Growth				
Capital Projects (contract audits - Crest Academy)	15	15	Draft Report	Substantial
Capital Projects (contract audits - Stonebridge School Expansion and Re-development of Surrounding Area)	15	15	Draft Report	Full
Civic Centre Project (Final Accounts)	15		Q4	
Choice Based Lettings/Housing Allocations	15	2	WIP	
Income from Civic Centre (Melting Pot & Other Hire Facilities)	10	10	Final Report	Limited

Facilities Management	10	10	Draft Report	Substantial
Council Tax	10	10	Draft Report	Substantial
Local Council Support Scheme (formerly Council Tax Benefit)	10	6	WIP	
National Non Domestic Rates (NNDR)	10	9	Draft Report	Substantial
Local Welfare Assistance Scheme	10	10	Draft Report	Substantial
Discretionary Housing Payments	10	5	WIP	
Concessionary Fares	10	3	WIP	
Blue Badges	10	3	WIP	
R&G Total	150	98		
BHP				
Former Tenants Arrears	15	15	Final Report	Limited
Procurement	20		Q4	
Payroll SLA	12		Q4	
TMO (To cover either Watling Gardens or Kilburn Square)	15		Q4	
Tree Management	8	6	WIP	
Garages	4	4	Final Report	Non Assurance
Lift Maintenance	12	12	Draft Report	Substantial
Governance & Risk Management	15		Q4	
Complaints	12	10	WIP	
IT Audit – New Leasehold Management System Implementation (Pre & Post Migration) or Application on new system.	10		Q4	
Follow Up Audits	12	5		
Consultation, Communication, Reporting	15	9		
BHP Total	150	61		
OTHER				

Risk Management	15	10		
Governance & Audit Planning	10			
Consultation, Communication and Reporting (Mazars)	55	40		
Follow-Up	45	27		
Contingency	12	4	Additional time required for audits that have taken longer:	
OTHER Total	137	81		
Total	1200	677		

Table 1 – Planned Projects and Progress as at 31/12/14

3.4. A summary of delivery is shown below

Delivery Status	
Total days in the plan	1200
Number of days delivered to date	677
% of days delivered to date	56%
Days to be delivered	533
Total number of projects (excluding follow up reports and Committee reports)	80
Number of reports / certifications issued to date	41
% of draft and final reports issued to date	51%
Number of final reports issued	29
% of draft reports finalised	70%

Table 2 – Delivery Status as at 31/12/14

- 3.5. At the previous committee meeting, members requested that they review, in more detail the No Recourse to Public Funds audit. In addition, the Chief Finance Officer and Chair have requested that the report concerning income from the Europa Contract (catering and car parking). A copy of the audit reports have been sent separately to committee members and representatives from relevant service areas will be present to discuss their response to the audit. Members may wish to consider which audits to review at their next meeting in March 2015.
- 3.6. In relation to the Audit Plan for 2015/16, the Head of A&I has held preliminary meetings with a number of strategic directors. These meetings will be concluded by mid January and the proposed audit plan will be submitted to committee in March. Members should provide the Head of A&I with any areas of concern for consideration for inclusion in the plan prior to 31st January 2015.

3.7. Internal Fraud

3.8. Internal fraud refers to fraud committed by employees, agency staff and staff in maintained schools. For the purposes of this report, “fraud” includes instances of theft, fraud, misappropriation, falsification of documents, undisclosed conflicts of interest and serious breach of financial regulations. Activity for the year to date is shown in table 3 below:

Internal	As at 31/12/14	As at 31/10/14	2013/14
New Referrals	27	26	55
Closed Cases	45	27	44
Fraud / Irregularity identified	12	8	16
Dismissal	5	4	11
Resignation	4	2	2
Warning	3	2	2
Open Cases Under Active Investigation	10	20	
Cases referred for other action	3	3	

Table 3 – Internal Fraud 2014/15

3.9. Since the previous meeting of the committee, four cases have been closed in which fraud was identified. These resulted in: One dismissal at disciplinary for claiming benefit when not entitled whilst working (for a school); two resignations prior to hearings for misuse of council property and one warning for non-adherence to policy.

3.10. Performance in relation to the length of time internal investigations take is a key priority for the team. The time taken (in weeks) from receipt of a case to the issue of a draft report to management is shown below.

Housing Tenancy Fraud

3.11. Recovery of social housing properties has a significant impact upon the temporary accommodation budget. The Audit Commission estimate that the average value, nationally, of each recovered tenancy is £18,000*. Year to date, the Audit and Investigation team has recovered 36 social housing tenancies and cancelled 3 applications for housing. Two families had their (to be allocated) property size reduced following investigations. Caseload information is set out in table 6 below.

Housing Fraud	As at 31/12/14	As at 31/10/14	2013/14
New Referrals	256	201	216
Closed Cases	196	139	222
Fraud Found	40	31	49
Recovered Properties	35	26	46

Applications Refused	3	3	0
Property Size Reduced (Rehousing)	2	2	3
Value of properties recovered*	£630,000	£468,000	£828,000
Open Cases Under Investigation	161	164	

Table 4 – Housing Fraud 2014/15

- 3.12. Referrals are rising due to increased liaison with registered providers. Twenty one providers in the borough have been approached and a number are already making referrals to the council.

Other External Fraud

- 3.13. This category includes all other external fraud/irregularity cases, such as blue badge, direct payments and council tax.

Other External Fraud	As at 31/12/14	As at 31/10/14	2013/14
New Referrals	58	45	44
Closed Cases	55	38	55
Fraud / Irregularity	18	13	32
Prosecution	0	0	11
Warning / Caution	3	3	16
Overpayment Identified	15	10	5
Open Cases Under Investigation	40	43	

Table 5 – Other External Fraud 2014/15

- 3.14. Since the previous committee report a further five cases of fraud have been identified. These relate to a pension fraud valued at £5,200, three SPD frauds with a combined value of £2,000 and a home loss grant fraud of £5,300.
- 3.15. A&I have recently completed an SPD proactive exercise which has generated some £220,000 in additional council tax debt.

4. Financial Implications

- 4.1. The total value of the audit contract with Mazars 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

8. Contact Officer Details

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

Conrad Hall
Chief Finance Officer



**Internal Audit
3rd Progress Report 2014/15
London Borough of Brent
January 2015**

Contents

Page No

Executive Summary	1
Detailed summary of work undertaken	2
Appendix A – Definitions	19
Appendix B – Audit Team and Contact Details	21



Executive Summary

Introduction	<p>This report sets out a summary of the work completed against the 2014/15 Internal Audit Plans, including the assurance opinions awarded and any high priority recommendations raised.</p> <p>Those audits reported on at previous meetings have been removed, but reference can be made to the full list of assurance opinions in the cover report.</p>
Summary of Work Undertaken	<p>Final Reports issued in respect of the 2014/15 financial year since the last meeting are as follows:</p> <ul style="list-style-type: none">• Care Leavers• School Admissions• Direct Payments & Personal Budgets• Income From Civic Centre• No Recourse to Public Funds (C & YP)• Princess Frederica Primary School• Children's Allowances

Detailed summary of work undertaken

FULL / SUBSTANTIAL ASSURANCE REPORTS: 2014 /15

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
General and Computer Audits	
Care Leavers	
School Admissions	

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.

Direct Payments & Personal Budgets

Personal and individual budgets are designed to provide individuals who currently receive social care and associated services with greater choice and control over their own support arrangements.

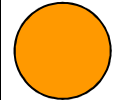
A personal budget is the amount of money that a local authority allocates to meet the individual's needs. It can take the form of a direct payment, services commissioned by the local authority, a broker who manages the budget on behalf of the individual, or a combination of both. The budget can be spent on any product or service that achieves the outcomes specified in the care plan. It can also be spent on traditional social services (e.g. placement in a care home).

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

Direct Payments can be used for:

- Personal assistance and support to help individuals live in their own homes;
- Support for carers to help in their caring role;
- Short breaks and respite care;
- Support so that individuals can do things during the day; or
- Items of agreed equipment for their homes.

The key areas, for which recommendations have been raised are as follows: non-compliance with procedures; documents not always uploaded onto Frameworki (e.g.: Supported Self-Assessment Questionnaires, approval of purchasing of care by Quality Assurance Meeting, Direct Payments Funding Approval forms, Ability to manage forms, Third Party



Agreements for managed account); inaccuracies in the amount of payments being made to some service users / carers; and review of support plans and financial assessments not being undertaken on a timely basis.

The Direction of Travel provides a comparison between the current assurance opinion and that of any previous internal audit (2012/13) for which the scope and objectives were the same. In this case the arrow indicates that the assurance level has remained the same since the last audit visit.

Six priority 1 and six priority 2 recommendations were raised.

Page 52

Recommendation	Management Response / Responsibility / Deadline for Implementation
<p>The Support Planning and Review Team Managers should be reminded of the need to ensure that an SSAQ are completed in full for all service users. An indicative budget allocation letter should be sent to all service users indicating the likely amount of money that will be available. Both the SSAQ and the indicative budget allocation letter should be scanned onto Frameworki</p>	<p>No longer applicable. The RAS is not used (as it was deemed not to be accurate and therefore was misleading for customers) and therefore the Indicative Budget letters are not sent out. People are informed what their personal budget is, and this is the cost of the support they are receiving.</p>
<p>All Team Managers/Senior Practitioners should be reminded to ensure that evidence of approval of purchasing of care by the Quality Assurance Meeting (QAM) is being properly recorded onto Frameworki.</p>	<p>Agreed. This should also include out of QAM approvals. Immediate All Team Managers/Senior; Practitioners (Hospital Discharge/Reablement/Support Planning and Review/Transitions)</p>
<p>All Heads of Service with any involvement in the Direct Payments process should remind their staff including social workers responsible for assessing client's ability to manage direct payments, to ensure that the Ability to Manage forms are properly completed and / or retained by scanning copies onto Frameworki</p>	<p>Agreed. To be discussed at Team Managers and Service Area Meeting. January 2015 Head of Support Planning and Review</p>
<p>Team Managers/Senior Practitioners should be</p>	<p>Agreed.</p>

Recommendation	Management Response / Responsibility / Deadline for Implementation
<p>reminded to ensure that calculations of direct payment entitlements are correct prior to the approval of purchasing of care on Frameworki. Management should investigate the reasons for the errors identified during the audit in the calculation of direct payments for the service users as indicated above. Where any over or under payments have been made because of errors in the calculation of Direct payments or personal budgets entitlements, appropriate action should be taken to recover any overpayments or reimburse service users with any underpayments.</p>	<p>Social workers and Team Managers are responsible for the calculations of direct payments and these should also be checked by the Client Affairs Team (CAT)</p> <p>The Client Affairs Team are responsible for taking action on any over/under payments created.</p> <p>Immediate Social workers/Team Managers</p>
<p>Team Managers within Support Planning and Review should ensure that the review of support plans is undertaken on a timely basis and at the frequency determined as a result of a risk assessment.</p>	<p>Agreed. All support should be reviewed at least annually.</p> <p>Immediate Head of Support Planning and Review/Team Managers</p>
<p>Team Managers, Senior Practitioners and social workers should be reminded of the need to ensure that signed third party agreement for accounts managed by Penderels should be scanned onto Frameworki.</p>	<p>Agreed. This will be discussed at Team Managers and Service Area Meeting.</p> <p>January 2015 Head of Support Planning and Review</p>

Income from the Melting Pot, Library Café and Civic Centre Parking

Melting Pot and Library Café

The Council has a contract with Europa which includes a profit share scheme in relation to the Melting Pot, Library Café, and hospitality services. Under the contract, no charges are made to Europa by the Council for the use of premises or utilities in return for a 50% share on any profits made. Europa provides kitchen facilities, serveries, staff, and food/drinks. For the period between January and June 2014, the cumulative turnover for these services was approximately £320k.

Civic Centre Car Park

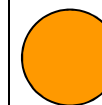
The Civic Centre Car Park is attended by Europa staff. Visitors pay by either cash or chip and pin at a ticket machine. Income collected via chip and pin is paid directly into the Council's bank account and cash collected in the machine is banked into the Council's bank account by Europa.

Parking charges are fixed and have to be paid in order to obtain a ticket to exit the car park. Free parking is available for blue badge holders and dispensations can also be applied for special circumstances. A number plate recognition technique is used to allow free parking and the eligible drivers are required to apply for the dispensations. Monthly income is approximately £25k and the annual income budget is set at £300k. It should be noted that the income budget of £300k was set before a decision was taken to introduce free parking which will have an impact on the income generated from parking.

Areas of key weaknesses included:

- Contractor's performance in respect of the reported gross profit margins not being monitored or benchmarked against any industry average/target margins;
- Discrepancies found in the reported financial figures provided by the contractor;
- A lack of evidence to support the reported income and expenditure information being provided by the contractor (Europa); and
- Absence of an action plan to address the cumulative net loss and no basis for the £20,000 profit projections provided by the contractor for 2015/16

Three priority 1 and five priority 2 recommendations were raised.



Recommendation	Management Response / Responsibility / Deadline for Implementation
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Recommendation	Management Response / Responsibility / Deadline for Implementation
<p>Europa should be required to provide a breakdown of costs between the catering operation and hospitality operation. The Client Facilities Management Team should closely monitor the level of profits being achieved and determine what actions can be agreed with Europa help improve the profit level. In addition, the Client Facilities Management Team should also review the current arrangement and also consider whether alternative options are available to achieve better outcome for the Council. The other options may include, agreeing a minimum profit level, moving towards turn over share scheme as opposed to profit share to incentivise the contract to be more cost efficient, or exploring other options such as generating rental income.</p> <p>In addition to the above, clarifications should be sought regarding the budgeted profit of £20,000 for 2015 to ensure that there is a robust plan in place to achieve the budget.</p>	<p>Agreed.</p> <p>Please note that the Client FM team have prior to the start of the audit, been investigating a full range of delivery models with Europa and others.</p> <p>Investigation was completed in December 2014. Decision on Strategy – 31st January 2015. Richard Barrett – Operational Director Property & Projects. Gordon Ludlow – Service Manager, Client Facilities Management Team</p>
<p>Europa's performance on the gross profit margin should be monitored and benchmarked against an industry average/target margin. Any performance issues in respect of gross profit margin should be discussed with Europa and actions should be agreed ensure that reasonable level of gross profit margin is achieved.</p>	<p>Agreed.</p> <p>Gross profit is monitored through monthly reports. Benchmark standards to be sought.</p> <p>31st January 2015 Gordon Ludlow - Service Manager- Client Facilities Management</p>
<p>The Client FM Team should request Europa to follow up and resolve the discrepancies found in the prior months' income and expenditure figures being reported from one month to another.</p> <p>The Client FM Team should check the income reported on a periodic basis to ensure that assurance can be gained on the income figures reported by Europa. We were informed that the profit and loss accounts for the catering operation are externally audited. However, we also understand that the outcome of the</p>	<p>Agreed.</p> <p>Discrepancies when found are flagged by the Performance Manager as part of monthly review process.</p> <p>Immediate. Gordon Ludlow – Service Manager, Client Facilities Management Team</p>

Recommendation	Management Response / Responsibility / Deadline for Implementation
audit has yet to be shared with the Council and the Client FM Team should still seek to obtain own assurance over the accuracy, completeness, and validity of the figures being reported.	Russell Barnaby – Performance Manager, Client Facilities Management Team

No Recourse to Public Funds (C & YP)

No Recourse to Public Funds (NRPF) refers to people from abroad who are subject to immigration control and have no entitlement to welfare benefits, public housing, and/or Home Office support for asylum seekers.

People from abroad include:

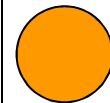
- European Economic Area (EEA) nationals;
- Those on visitor visas;
- Those on spousal visas;
- Those on student visas;
- Visa over stayers;
- Illegal entrants to the UK; and
- Those on work permits.

(Taken from a report to Departmental Management Team in Quarter 2 of the 2013/14 financial year.)

Under the Provisions of the Children's Act 1989, the Council have a responsibility to assess all children residing in the borough at risk, which also includes those with No Recourse to Public Funds. The team within the Children and Young People directorate is made up of an Interim Principal Officer, NRFP co-ordinator, and an assistant social worker.

In 2013/14, the budget for the service provided was £520k and the year-end overrun was £382k resulting in an in-year underspend of £138k. For 2014/15, the service budget has remained at £520k, and the projected year-end forecast based on current families being provided with a NRPF service is £673k - a projected overspend of £153k.

The main issues relate to a lack of formally defined operational policy and procedure document, a lack of audit trail including evidence of approval and review and tracking of the client's status. In addition, there were some weaknesses in respect of documenting any changes required to the existing provisions following reviews/visits and this has resulted in an over payment exceeding £1,000 to one client.



Five priority 1 and four priority 2 recommendations have been raised.

Recommendation	Management Response / Responsibility / Deadline for Implementation
<p>Policies and procedures should be adopted outlining the key processes and procedures to be followed by the NRPF team. These policies should include, but not be limited to:</p> <ul style="list-style-type: none"> • Responsibilities of staff; • Timeframes for completion of actions; • Criteria to determine what accommodation, Section 17 and one-off payments are required, and what reviews/visits are required to be undertaken for each case; • Criteria to determine whether a child is destitute; • Documentation required to support actions and indicate that criteria has/has not been met; • Frequency of actions; and • Authorisation processes <p>In addition, these policies should cover, but not be limited to, the following business areas:</p> <ul style="list-style-type: none"> • Initial Assessments; • Assessment for Service Provision; • Payments (including payments made by the Housing Options Team, the recharge process, and the identification of inappropriate payments on pre-paid cards); • Reviews; • Tracking of Status; and • Budget Monitoring. <p>Policies should include references to legislative and regulatory requirements where necessary, and be made available for all staff</p>	<p>Partly Agreed.</p> <p>Policies & Procedures are already in place. We do however agree that they need to be consolidated into local NRPF Procedures.</p> <p>Principal Officer 1st April 2015</p>

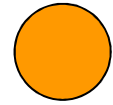
Recommendation	Management Response / Responsibility / Deadline for Implementation
<p>to access.</p> <p>The approval of policies should be clearly documented on the policy, and policies should be reviewed on an annual basis.</p> <p>In raising the above recommendation it is acknowledged that decisions may have to be made in an emergency situation based on a judgement of the individual case, and therefore may not go through the normal authorisation process. In these instances the Council should ensure that this is clearly documented in procedure notes and the reasoning behind these decisions are clearly documented and stored on Framework-I. In addition, retrospective approval of the decision made should also be recorded.</p>	
<p>The NRPF team should ensure that clear audit trails are kept for all cases on Framework-I. Upon reviewing a case the following information should, at least, be clearly documented (indexed) and accessible to all staff involved:</p> <ul style="list-style-type: none"> • The subsistence and accommodation rates applied along with the supporting documentation used to determine what charges apply; • The approval of the rates applied, which also lists the charges themselves and the dates which they apply from and to; • Reasoning as to why a NRPF case has not been financially supported along with the supporting documentation used to determine that the correct decision has been made; • The approval of all cases where rates are not applied, clearly stating the reasons why; and • The payment authorisation forms for each case. 	<p>Partly Agreed.</p> <p>Audit trails are available and evidenced. However, documentation will now be saved consistently in the appropriate sections of the various systems (One Oracle, Shared Drive and Framework-I) as set out in the local NRPF procedures</p> <p>Head of Service /Principal Officer 1st April 2015/ 31st January 2015</p>
<p>All payments should be approved by the NRPTF team and submitted to Finance/Housing options Team through completion of an F2/F3 form or a booking form. The forms should clearly outline</p>	<p>Partly Agreed.</p>

Recommendation	Management Response / Responsibility / Deadline for Implementation
<p>the payments required to be made and the length of payment. Forms should be retained by the NRPF team.</p> <p>The NRPF team should undertake regular payment checks to ensure that all payments they have approved to be made have actually been made in a complete and timely manner. Any discrepancies should be followed up with the Finance team. A copy of the checks undertaken should be retained by the NRPF team.</p>	<p>F2 and F3 forms are completed for subsistence payments on all cases and are available on the shared drive. The forms and Oracle payments are always approved by the principal officer without whose authorisation payment cannot be made by BIBS.</p> <p>Principal Officer Implemented</p>
<p>Reviews should be undertaken in a timely manner in line with Council requirements and approved by the Case Manager. Any subsequent action required following reviews should be recorded clearly and undertaken in a timely and complete manner. Where no further action is required, this should be clearly stated on the review for information purposes.</p> <p>With regards to the overpayment identified in the testing, the NRPF should ensure that the payment amount has been corrected and a decision should be made regarding the amounts paid in excess since February 2014.</p>	<p>Partly Agreed.</p> <p>NRPF families are currently managed as indicated earlier under the CIN policy. The policy sets out the need for a CIN plan, 3 monthly review, frequency of visits, etc.</p> <p>A report of CIN visits are now also being run on a monthly basis across the service as part of the performance management system.</p> <p>Payment to the 'overpaid' mother was terminated with immediate effect. The mother is now being pursued for repayment and the case has been referred to the Audit and Investigation team.</p> <p>In order to prevent such an overpayment occurring again, NRPF (CP and LAC) cases held in the Care Planning and Locality teams are now being jointly allocated to the NRPF team in order to ensure payments are monitored and status tracked accordingly.</p>

Recommendation	Management Response / Responsibility / Deadline for Implementation
	<p>Legal advice has been sought in relation to the provision of financial support to NRPF parents whose children are in care.</p> <p>Principal Officer November, 2014</p>
<p>Child In Need (CIN) visits should be undertaken in line with the timeframes set by the Council. The outcome of the checks should be uploaded onto Framework-I under the individual's episodes section to allow for effective monitoring of visits undertaken</p> <p>Records of the Child in Need (CIN) visits should clearly state whether updates to the Connect System are required. Where no action is required, this should also be clearly stated.</p> <p>In addition, all NRPF cases should be uploaded onto the Connect system.</p> <p>Regular reviews of the Connect system and regular communication with the Home Office should be undertaken for all NRPF cases. This should include, but not be limited to:</p> <ul style="list-style-type: none"> • Whether any status change updates have been received from the Home Office; and • Whether any queries made from NRPF to the Home Office, or visa versa, have been answered. 	<p>Partly Agreed.</p> <p>The current CIN policy sets out the timeframes for the completion of CIN visits (monthly). These visits must be recorded on Fwi episode.</p> <p>The new NRPF draft policy will address all areas that need to be covered in CIN visits for these types of cases. CIN visits are currently monitored in supervision.</p> <p>Previous capacity issues had led to a delay in uploading cases on to the Connect system. This has now been resolved and the backlog has been cleared.</p> <p>All NRPF cases will have checks on the Connect system undertaken every two months as a matter of course, although this maybe done more frequently dependent on information and circumstance.</p> <p>31st January 2015 Principal Officer</p>

**LIMITED/NIL ASSURANCE REPORTS – School
Princess Frederica Primary School**

Nine priority 1 and 17 priority 2 recommendations were raised as a result of this audit. All of our recommendations except for two were agreed for implementation by the School.
Further advice was provided to the School regarding the two recommendations which were not agreed.



Recommendation	Management Response / Responsibility / Deadline for Implementation
<p>The Governing Body should ensure that the determination of the Head teacher's pay is in accordance with the relevant School Teachers' Pay and Condition Document (STPCD). Should the governing body decide to continue to apply the pre 1st September 2011 STPCD provisions, then the discretionary payments being made to the Head teacher cannot be applied under the old provisions.</p>	<p>Agreed. To be revisited by governors.</p> <p>Governors January 2015</p>
<p>A copy of signed Opt-Out form should be retained of any member of staff who has opted out of the Pension Scheme.</p>	<p>Implemented.</p> <p>September 2014</p>
<p>Overtime claim forms should be approved by either the Head teacher or Deputy Head teacher. Checks should be taken to ensure that the hours claimed for overtime are correct prior to overtime claim forms being passed for processing by Payroll.</p>	<p>Implemented.</p> <p>July 2014</p>
<p>The School should retain adequate documentary evidence of the recruitment and appointment process including the following:</p> <ul style="list-style-type: none"> • Signed letter of acceptance from the potential employee; • Signed contracts of employment; • Evidence of qualifications having been obtained; • Evidence of two references having been obtained. 	<p>Implemented.</p> <p>September 2014</p>

Recommendation	Management Response / Responsibility / Deadline for Implementation
<p>Adequate steps should be taken to verify the employment status of individuals prior to payment being made to them without the deduction of tax and other statutory deductions. The completion of a self-employment status questionnaire would help to facilitate this process.</p> <p>The School should obtain copies of insurance certificates for the relevant individuals claiming to be self employed and these should be retained with the completed employment status questionnaire.</p> <p>The Clerk to the Governing Body should be paid via Payroll as directed.</p>	<p>Agreed.</p> <p>Currently not applicable.</p> <p>When situation arises recommendation will be followed.</p> <p>Head teacher September 2014</p>
<p>The School should cease the practice of reimbursing parking charges to staff through the private fund. If the governing body consider this an appropriate benefit payable to staff this should be set out in the pay policy and decisions concerning to whom the payment is made should be transparent and fair and should be appropriately documented.</p>	<p>Agreed.</p> <p>Item for Finance and Resource Committee and Full Governing Body agenda.</p> <p>April 2015</p>
<p>The School should ensure that only appropriate expenses are reimbursed.</p>	<p>Not agreed.</p> <p>This statement is misleading giving the impression that the school is in the habit/practice of reimbursing inappropriate expenses.</p> <p>There was a situation where a member of staff was on an official assignment supporting Brent Council with Teacher recruitment when the process overran through no fault of the member of staff. His parking time overran and his car was towed away. As Head, I made the decision to reimburse the member of staff so he was not out of pocket while supporting the school and Brent over and above his job description. In the 12 years I have been Head this is the only time such an</p>

Recommendation	Management Response / Responsibility / Deadline for Implementation
	<p>incident has happened. I still believe that in this circumstance it was the right thing to have done as the member of staff parked legally in the first place.</p> <p><i><u>Audit Comment</u></i> <i>Regardless of the circumstances, the reimbursement of a parking penalty is inappropriate.</i></p>
<p>The School should ensure that a P11D form is completed at the end of the tax year for the relevant employee and submitted in accordance with HMRC requirements.</p>	<p>Partly Agreed.</p> <p>Reimbursement was not a benefit in kind as member of staff was parked legally to start with and the delay was from Brent and this same Brent towed the car away. Member of staff was a victim of the absence of joined up thinking where departments do not talk to each other.</p> <p>However point taken and will be actioned in future should there be an occasion where a staff member receives a benefit in kind.</p> <p>Head teacher As appropriate from September 2014.</p> <p><i><u>Audit Comment</u></i> <i>HMRC state that the reimbursement of parking penalty is regarded as a benefit in kind and should therefore be included in a P11D return to HMRC at the end of the tax year. The School should ensure that this benefit is included in the P11D return for 2014/15 in order to ensure that penalties are not imposed by HMRC.</i></p>
<p>All income collected should be banked intact and not used to fund</p>	<p>Not Agreed.</p>

Recommendation	Management Response / Responsibility / Deadline for Implementation
any other expenditure.	<p>This recommendation needs clarification.</p> <p>Money was used to pay for fish for the school meals as a credit account was in the process of being set up with the company. This meant that we had to pay for the fish cash on delivery. Being dogmatic about this would have meant the children would not have had a balanced meal on the day. School meal income was not found to have been used for any other expenditure apart from the fish.</p> <p><u><i>Audit Comment</i></u></p> <p><i>The Council's Financial Regulations state that all income should be banked intact and not used to fund any other expenditure. The School should ensure that it complies with this requirement. In order to avoid such occurrences in future, a petty cash account could be set up by the School.</i></p>

Non Assurance Work

Children's Allowances

Local Authorities are responsible for assessing the needs for allowances of the children who are placed under Residence/Special Guardianship/Adoption Orders and provide allowances where the eligibilities are met. The eligibilities are means tested and the criteria and allowance amounts are set by Central Government.

There are approximately 270 children attracting allowances with some £2.5m in allowances paid per annum.

Allowances for Residence Orders and Special Guardianship Orders are administered by the Kinship Team and allowances for Adoption Orders are dealt with by the Adoption Team.

The Head of Placements is currently reviewing the administration of Allowances and is aiming to achieve consistent procedures across the two team as well as centrally coordinated review process in consultation with Brent Integrated Business Support (BIBS).

We undertook a review of the Allowances administration process for children who are placed under Residence/Special Guardianship/Adoption orders. As agreed with management, this was a pre-implementation review of work and our focus was on the adequacy of controls from the design perspective. We did not assess the qualitative aspects of the decisions being made in respect of the allowance eligibilities.

We raised three priority 1 and two priority 2 recommendations.

Approval of Allowances (Priority 1)

Once allowances have been calculated, these should be reviewed by Team Managers and signed off to validate the accuracy and validity of the calculated allowance prior to payment. This process may be combined with the review and approval of the allowance created on FWi.

Agreed. The Social Work managers will not review every financial assessment but the BIBS management structure will support their staff to do so. Where BIBs assessment raises queries these are passed to the Social Work manager for comment and confirmation of course of action. The key is ensuring BIBs staff understand the evidence and the assessment process. BIBs managers will spot check and audit a small number of assessments each month for compliance. Finance with Placement management will discuss support from Adults to support capacity within BIBs to manage the approval process.

New allowances are being reviewed where appropriate by managers.





BIBS spot checking will commence in November.

	Finance/Placements management to confirm Adults position by 1st week of November 2014.
<p>Review (Priority 1) Review letters should be sent out to all carers and the annual review process should be completed as soon as possible. Management should consider whether the care package end date on FWi should be used to prompt annual review.</p>	<p>Agreed. Currently the trigger for review is set within the FWI incoming work folder and prompts the review process to commence at the 10 month point of the annual cycle. This is a new process and needs to be bedded in. Review after 6 months to consider whether to change the arrangements.</p> <p>BIBs currently responsible. April 2015 review arrangements.</p>
<p>Non-Compliance with Review Process (Priority 1) Policies and Procedures regarding Non-Compliance with the review process should be created that outlines the protocol to follow where Carers do not provide required information as part of the review process. Carers should be informed of the consequence of non compliance. A timeframe should be defined as to when Carers are required to respond and provide supporting evidence by. Overdue responses should be followed up promptly and continued non compliance should be remedied in line with the policy, including suspension/termination of the allowance.</p>	<p>Agreed that a formal policy needs to be developed to confirm sanctions communicated to all recipients. A timeframe and a work flow is in place. This now needs to be followed through. BIBs have raised issues regarding expertise and capacity to manage. Finance and Placements' service to discuss with Adults their ability to share knowledge or resource to manage the work.</p> <p>Principal Officer Placements – 14th November 2014. BIBs to confirm resource required (FTE) to carry out review role by 25th October 2014. Finance/Placements management to confirm Adults position by 1st week of November.</p>

Appendix A – Definitions

Audit Opinions




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

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

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

Direction of Travel

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

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

Recommendation Priorities

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

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

Appendix B – Audit Team and Contact Details

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

Mazars Public Sector Internal Audit Limited	Contact Details
Mark Towler – Director	✉ miyako.graham@brent.gov.uk
Miyako Graham – Senior Audit Manager	☎ 020 8937 1491
Shahab Hussein – Computer Audit Sector Manager	

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 <p>Brent</p>	<p>Audit Committee 7 January 2015</p> <p>Report from the Chief Finance Officer</p>
<p>For Information</p>	<p>Wards affected: All</p>
<p>Corporate Risk Register</p>	

1. Summary

1.1 This report presents the council's current Corporate Risk Register.

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 risk register attached at appendix 1 sets out the council's strategic and key operational risks.

3.2 Strategic Directors are required to maintain an operational risk register and review this periodically with their Departmental Management Teams. A new Risk Management Group has been established, chaired by the Chief Finance Officer. The purpose of this group is to promote best practice in risk management, review and challenge the content of the strategic risk register and to review key issues in respect of the operational risk registers.

3.3 The Audit Committee last reviewed the register at its meeting on 29th September 2014. Since that meeting, the risk management group has met on two occasions. The register, attached at appendix 1, has undergone some refinement since the last meeting and members should note the following changes:

Strategic Risk – An overarching risk relating to the draft proposed budget for 2015/16 and 2016/17 has been added to the strategic register. This covers all

council departments and all will have individual risks on their own operational registers. The financial challenge presents significant risks to the council in terms of continued delivery of services and managing change.

Operational Risks

Adult Social Care – Risks concerning the failure to engage with key partners leading to additional cost pressures and the risk of fraud in direct payments have been removed from the corporate register due to a residual score of 12 or less.

Assistant Chief Executives Department: Addition of a number of new risks as set out below:

- Cuts to ACE dept budgets, estimated at between 20-40%, will affect all corporate teams and will have a strategic and operational impact on capacity to deliver.
- Failure to achieve deadline for resolving stage 1 and stage 2 corporate complaints. Lack of joined up working between Council and key partners as a result of an ineffective Partners for Brent.
- There is a risk that the delay in identifying new OC projects, will limit that amount of savings that can be delivered in 2015/16 through the OC Programme
- There is a risk a large number of new OC projects will be identified through departmental budget savings process and there will be insufficient internal project management resource to manage these new projects

Regeneration and Growth: Addition of a number of new risks as set out below:

- Inability to deliver new affordable housing in accordance with housing strategy targets
- Infill development delayed and limited availability of further sites for next phase development identified
- Reduction in number of Empty Property Grant properties brought into use
- Accelerated rollout of Universal Credit
- Political pressure from local community/ groups affect ability to deliver the new Willesden Green Cultural Centre to budget and time
- Assaults on staff/customers due to the open nature of the Civic Centre Foyer
- Building failures – specifically the Civic Centre.
- Inability to meet government set Carbon & Efficiency savings targets with funding/fines attached
- Current economic situation leading to Increased debt arising from unpaid Invoices
- Income decline due to loss of business share
- Council Tax and NNDR in year collection reduces

Environment and Neighbourhood:

- Removal of risk relating to failure of public realm contract.
- Addition of risk of service difficulties; reputational harm or failure during organisational change

Children and Young People:

- No updates

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, 1st floor, Brent Civic Centre
Telephone – 020 8937 1260

Conrad Hall
Chief Finance Officer

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CORPORATE STRATEGIC RISKS

ID	RISK IDENTIFICATION (Describe risk and underlying cause)	IMPACT (Consequences of risk maturing)	Inherent (raw) risk			Existing Controls	Sources of Assurance	Residual (net) risk			Further Actions	Deadline	Responsible Officer
			Impact	Likelihood	Risk Score			Impact	Likelihood	Risk Score			
CMT	Savings to all council budgets, estimated at between 20-40%, will affect all teams and will have an impact on strategic and operational impact on capacity to deliver.	The necessity to deliver savings of 54million over the 2015/16 and 2016/2017 financial years from Council budgets will inevitably impact on service delivery continuity. Consequences of not managing the changes might result in breaks in continuity of service; reputational issues relating to breakdown in communications outlets; and of financial/legal probity.	6	6	36	Planning for budget reductions; public consultation; PMO support for savings projects; oversight by Chief Executive and Chief Finance Officer; regular budget monitoring reports; oversight and challenge by SFG. Within individual departments officers are developing contingency plans for revised service plans that incorporate varying levels of cuts to budgets. Revised models of delivery will specify what services/posts will be compromised and how statutory services will be maintained. Well established HR process and consultation for restructures with Senior HR contacts CMT oversight of restructures, where required	Reports to full council and cabinet; SFG minutes; Regular finance reports to CMT. Restructure Reports to CMT	6	5	30			Christine Gilbert, Chief Executive
R&G5	Increase in demand from homeless households due to welfare reform and overheated Private Rented Sector market in London	Council unable to manage budget within agreed limits. Major impact on children within homeless families	6	6	36	Delivery of the revised Accommodation Strategy Effective use of DHP budget and 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 Intervention of Welfare Reform team to work with most affected cases in PRS	Regular Monitoring	5	5	25	On going monitoring	On-going	Andy Donald - Strategic Director of Regeneration & Major Projects

ID	RISK IDENTIFICATION (Describe risk and underlying cause)	IMPACT (Consequences of risk maturing)	Inherent (raw) risk			Existing Controls	Sources of Assurance	Residual (net) risk			Further Actions	Deadline	Responsible Officer
			Impact	Likelihood	Risk Score			Impact	Likelihood	Risk Score			
CYP3	Increase in demand for social care services resulting from welfare reforms (more families with no recourse to public funds, Children Act, more children looked after)	Increase in number of looked after children or greater demand for services for vulnerable children and young people. Pressures translate into increased financial pressures.	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. Early help services are targeting vulnerable and disadvantaged families and showing success in preventing escalation of problems.	Management information reports track activity and identify trends, to which management are able to respond	4	5	20	NRPF and homelessness pressures being monitored	ongoing	Graham Genoni - Operational Director, Children Social Care
S5	The Council fails to comply with legal/statutory obligations including consultation and equality duty in implementing policy changes	Increased dissatisfaction with council, increase in number of legal challenges and Judicial Reviews resulting in cost of defence and delay	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. Equalities guidance due shortly.	Dec-14	Fiona Ledden
CYP1	Failure to meet demand for school places	Council unable to discharge statutory duty to provide education. Reputation damage, legal challenge, increased health and safety risks	6	6	36	New School Place Planning Strategy approved October 2014. Lobbying Central Govt for additional funding; funding for basic need secured from central govt. to provide additional school places; creative use made of Free Schools programme; use of Fair Access Protocol to place pupils above published numbers; 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 and Education Division

ID	RISK IDENTIFICATION (Describe risk and underlying cause)	IMPACT (Consequences of risk maturing)	KEY OPERATIONAL RISKS			Existing Controls	Sources of Assurance	Residual (net) risk			Further Actions	Deadline	Risk Owner
			Inherent (raw) risk Impact	Likelihood	Risk Score			Impact	Likelihood	Risk Score			
Regeneration and Growth													
R&G 1	Lack of external investment in regeneration of the borough	Reduced income receipts from business rates; reduction in housing supply within the borough. Increase in levels of poverty, unemployment and increased levels of deprivation within the borough.	6	6	36	De-risking by assisting with planning permissions etc. on behalf of developers; Maintaining dialogue with investors / developers. Reviewing other sources of capital finance.	Regular economic monitoring. Regular market contact.	5	5	25	Ongoing economic monitoring and market contact	On going	Andy Donald - Strategic Director of Regeneration & Major Projects
R&G 11	Failure to achieve delivery of Customer Services Project.	Residents unable to communicate with council / Failure of project objectives (i.e. consolidation of Customer Services at Civic Centre)	6	3	18	A - Regular monitoring of Project B - Strong Project management in place	1 - PMO Board and Brent Customer Services Board	6	4	24	On going monitoring	On going	Margaret Read Operational Director Brent Customer Services
R&G 3	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	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
R&G 9	Temporary Accommodation demand increases as a result of welfare reforms and lack of access to affordable private rented properties.	Demand led pressures will impact on the temporary accommodations budget Unable to procure sufficient properties to meet demand from Homeless Households Adverse Impact on Temporary Accommodation Budget	6	5	30	TA Reform Plan developed including project workstreams to increase homeless preventions and maximise private rented discharge. TA Reform Project board and management arrangements in place. Monthly supply & demand and financial forecasting. Welfare Reform team workplan to resolve OBC cases and prevent homelessness in PRS through use of DHPs.	Regular monitoring	6	3	18	Implementation of TA Reform Plan. Developing short and longer-term alternatives to high-cost Bed & Breakfast accommodation through interim use of corporate assets and development of new homeless hostel provision. Launch of BHP lettings agency in 2015 and market TA arrangements to landlords through licensing scheme.	On going	Jon Lloyd-Owen Operational Director Housing & Employment
RG28	Accelerated rollout of Universal Credit	May cause hardship or confusion for customers and additional demand on Benefits team, Customer Service Centre and Benefits Welfare team	4	6	24	Benefits Welfare team established and has effectively dealt with previous welfare reforms. Transition project planned. Partnership Board and governance established with DWP.	Regular monitoring and project management. Extent of UC rollout will be limited in 2015 (though capability of DWP to administer it effectively is questionable)	3	6	18	Operational phase of project brought forward following DWP announcement re. acceleration of rollout. Refocusing of action plan to ensure operational issues and risks identified and mitigated	On-going (timetable for UC rollout not yet available)	Margaret Read Operational Director Brent Customer Services

ID	RISK IDENTIFICATION (Describe risk and underlying cause)	IMPACT (Consequences of risk maturing)	Inherent (raw) risk			Existing Controls	Sources of Assurance	Residual (net) risk			Further Actions	Deadline	Risk Owner
			Impact	Likelihood	Risk Score			Impact	Likelihood	Risk Score			
R&G 2	Inability to deliver new affordable housing in accordance with housing strategy targets	Risk to council's reputation due to residents having to wait longer to be rehoused. Increased temporary accommodation levels and costs and increased unmet housing need May affect councils ability to generate new homes bonus	4	6	24	Performance monitored quarterly at corporate level New Housing Partnerships service area and Housing Investment Board established to maximise housing investment planning and resources and promote direct and partnership affordable housing development. Regular liaison with GLA over grant-funding opportunities including Housing Zone programme Clear planning policy	Regular Monitoring	4	4	16	Production of Housing Investment Plan. Identification of new-build sites on HRA land and on corporate sites. Commissioning further infill and other direct development opportunities and building BHP capacity. Progressing Housing Zone applications to achieve successful designation, and subsequent implementation to accelerate affordable housing supply	On going	Jon Lloyd-Owen Operational Director Housing & Employment
R&G 10	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	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	Andy Donald - Strategic Director of Regeneration & Major Projects
R&G 14	Assaults 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.	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	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
R&G 19	Homelessness demand led pressures will adversely impact on the temporary accommodation budget	Increased cost will impact on the ability of the council to balance its budget	4	6	24	Rigorous application of Homelessness assessment criteria Work with BHP to develop letting agency to access PRS accommodation	Regular monitoring	3	5	15	Reduction in the use of high cost temporary accommodation and introduction of new more cost effective contracts to provide temporary accommodation		Jon Lloyd-Owen Operational Director Housing & Employment

ID	RISK IDENTIFICATION (Describe risk and underlying cause)	IMPACT (Consequences of risk maturing)	Inherent (raw) risk			Existing Controls	Sources of Assurance	Residual (net) risk			Further Actions	Deadline	Risk Owner
			Impact	Likelihood	Risk Score			Impact	Likelihood	Risk Score			
R&G 20	Infill development delayed and limited availability of further sites for next phase development identified	This will impact upon the numbers of families in B&B and Temporary accommodation and the Councils ability to reduced it housing waiting lists	4	6	24	Effective governance and performance management arrangements in place Identification of excess sites to absorb impact of delayed progression Establish resources and expertise to support opportunity and site identification; business case development for relevant corporate sites	Regular monitoring	3	5	15	Establish resources and expertise to support opportunity and site identification; business case development for relevant corporate sites		Jon Lloyd-Owen Operational Director Housing & Employment
R&G 26	Building failures – specifically the Civic Centre.	Loss of reputation due to inability to offer or relocate service delivery risks to most vulnerable residents through no or poor service responses	3	6	18	Total FM contract in place. Major M&E covered by warranty and specialist maintenance contracts	Regular monitoring	3	5	15	Contingency planning and engagement with IT and the emergency planning team to develop a emergency plan. Prevention activities. And back up locations.		Richard Barrett Assistant Director Property and Asset Management
R&G 22	Employment and skills merger and START service transformation fails to achieve employment and training objectives	Reduced and/or less effective vocational training and employment outcomes for Brent residents. SFA grant-funding for START service is not maintained.	3	6	18	Project plan for modernisation/transformation work-streams in place. Service merger proposals and programme set.	Regular monitoring	3	4	12	Merger implementation plan to be produced. Clear Cultural Change Programme to be instituted		Jon Lloyd-Owen Operational Director Housing & Employment
R&G 4	Inability to meet government set Carbon & Efficiency savings targets with funding/fines attached	Council having a reduced services budget	5	6	30	Ensure works with Carbon Management Group ensuring data is captured and is of good quality, but that other Departments co-operate, share skills and knowledge and communicate effectively	Regular Monitoring	4	3	12		On going	Richard Barrett Operational Director Property & Projects
R&G 8	Inability to deliver social housing units in line with specified targets	Impacts upon families in TA and on housing waiting lists	6	3	18		Regular Monitoring	6	2	12	Performance monitored quarterly at corporate level Clear planning policy Closer links between Housing and Major Projects staff through restructure Successful delivery of major residential developments	On-going	Jon Lloyd-Owen Operational Director Housing & Employment

ID	RISK IDENTIFICATION		Inherent (raw) risk			Existing Controls	Sources of Assurance	Residual (net) risk			Further Actions	Deadline	Risk Owner
	(Describe risk and underlying cause)	IMPACT (Consequences of risk maturing)	Impact	Likelihood	Risk Score			Impact	Likelihood	Risk Score			
R&G 21	Reduction in number of Empty Property Grant properties brought into use	This will impact upon the numbers of families in B&B and Temporary accomodation and the Councils ability to reduced it housing waiting lists	5	4	20	Suite of options being developed for alternatives to traditional temporary accommodation Programme focussed on smaller units	Regular monitoring	3	4	12	Refocus programme on smaller units and examine meeting demand for other need groups, Move On and ASC		Jon Lloyd-Owen Operational Director Housing & Employment
R&G 23	Current economic situation leading to Increased debt arising from unpaid Invoices	This will prevent/delay Planning & Regeneration 's ability to become self financing . A greater call upon the Councils revenue budgets	4	4	16		Regular monitoring	4	3	12	Work closely with FSC to ensure income maximised. Increased monitoring within service.		Aktar Choudhury Operational Director Planning & regeneration
R&G 24	Income decline due to loss of business share	This will prevent/delay Planning & Regeneration 's ability to becoem self financing . A greater call upon the Councils revenue budgets	4	5	20	Significant relationship based marketing LABC partnering agreement in place New work strands introduced - e.g. party wall	Regular monitoring	4	3	12	Plan to win back business, also more flexible recruitment allowing speedy downsizing e.g. use of partnering, agency staff and consultants		Aktar Choudhury Operational Director Planning & regeneration
R&G 25	Health and safety – failure of compliance.	Risk of prosecutions and fines from HSE Risk of serious injury to staff and subsequent insurance claims	5	4	20	Regular H&S review meetings with Property & Projects and Corporate H&S Board	Regular monitoring	4	3	12	Processes and training in place. Looking at capital projects and buildings. Responsibility clearly set out. Clearly setting out the areas of H&S we should be focusing		Richard Barrett Assistant Director Property and Asset Management
R&G 29	Council Tax and NNDR in year collection reduces	Loss of income due to fall in collection. Increased arrears will impact on resources required to collect in future years	6	3	18	Monitoring of collection against profile undertaken each month. Recovery initiatives monitored and reviewed.	Weekly monitoring of performance and monthly profile targets set to ensure any issues are identified as early as possible	6	2	12	Ensure all collection initiatives are maximised and that recovery action takes place as early as possible	Ongoing	Margaret Read Operational Director Brent Customer Services
Children & Young People													
CYP7	Major fraud or financial mismanagement in schools.	Reputational damage; removal of financial delegation; increase resources required from LA to support school.	6	4	24	There is a rolling-programme of school audits in place which is thorough and robust. Where significant financial issues and risks are identified then the Council has and will continue to take robust action. When issues are identified all schools are informed of major learning points and are offered support to put in place an action plan to address any major issues.		6	3	18	Although the audit function is robust - work is being undertaken to ensure that measures are being implemented within schools to ensure financial issues and risks are being addressed. Several cases have been forwarded to the internal fraud team to investigate any suspicions or misaccounting or fraudulent behaviour and this is sending a strong message out to all schools.	Ongoing	Sara Williams - Operational Director Early Help & Education Division Children and Young People

ID	RISK IDENTIFICATION (Describe risk and underlying cause)	IMPACT (Consequences of risk maturing)	Inherent (raw) risk			Existing Controls	Sources of Assurance	Residual (net) risk			Further Actions	Deadline	Risk Owner
			Impact	Likelihood	Risk Score			Impact	Likelihood	Risk Score			
CYP2	Vulnerable children not adequately safeguarded.	Abuse, Death or injury of vulnerable persons. Reputational damage to Council.	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 People Plans; Child Protection Arrangements; Strong partnership working with relevant agencies; High level monitoring meetings with Chief Executive; Corporate Parenting Committee; Auditing arrangements; Range of monitoring arrangements to track progress; Overview & Scrutiny; Performance Information (quarterly scorecards); Timely reviews of Looked After Children;	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	RISK IDENTIFICATION (Describe risk and underlying cause)	IMPACT (Consequences of risk maturing)	Inherent (raw) risk			Existing Controls	Sources of Assurance	Residual (net) risk			Further Actions	Deadline	Risk Owner
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ASC4	Budget insufficient to meet demand specifically increased need (people living longer with more complex needs) and changes in legislation (Care Act, Eligibility for service users and carers)	Failure to deliver a more efficient cost effect service will result in overspending budgets	6	5	30	Demand levels are continuously monitored and Transformation programme in place to change model of care to deliver the most in need .	Financial pressures are regularly reported and monitored through Strategic Finance Group and High Level Monitoring panel.	5	4	20	Changes in ways we deliver services and demand management strategies need to be put into place to protect the council's financial position. Routine monitoring and reporting arrangements are in place On-going work is required to look at how to deliver the service differently to be able for the department to be able to deal with the projected increase in demand.	Ongoing	Phil Porter - Director Adult Social Care
ASC1	Failure to safeguard vulnerable persons (older persons; persons with physical & learning disabilities; mental health, transitional young people and other vulnerable adults) leading and resulting in resulting in abuse, death or injury of vulnerable persons (both in terms of safety and financial abuse)	Abuse, Death or injury of vulnerable persons. Reputational damage to Council.	6	3	18	Safeguarding of Adults Teams deal with safeguarding adults 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 & 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. Children's Service, Ofsted, Internal Audit Safeguarding Board	6	2	12	On-going training for staff in relation to safeguarding and constant review of procedures and policies	On-going	Yolanda Dennehy - Head of Reablement and Safeguarding / Adult Social Services

ID	RISK IDENTIFICATION (Describe risk and underlying cause)	IMPACT (Consequences of risk maturing)	Inherent (raw) risk			Existing Controls	Sources of Assurance	Residual (net) risk			Further Actions	Deadline	Risk Owner
	Impact	Likelihood	Risk Score	Impact	Likelihood			Risk Score					
Environment and Neighbourhoods Services													
EN2	Failure to cope with severe weather events, which are themselves becoming more likely over time.	Disruption to residents and possible homelessness. Damage to properties. Potential uninsurability of risks within borough.	5	3	15	Emergency and Business Continuity Plans; Flood Risk Management Plans	Emergency Planning & Business Continuity; Partnership working with Environment Agency	5	3	15		On-going	Sue Harper - Strategic Director of Environment & Neighbourhoods
EN3	Major or large scale incident (accident; natural hazard; riot, terrorism) 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. Reputational damage to the borough should a perpetrator of terrorism be living or radicalized within Brent	6	4	24	Community Resilience; Civil Contingencies Register; Emergency Planning; ongoing preventative work with the Home Officer	Emergency Planning & Business Continuity	5	3	15	Regular review and assessment of robustness of plans.	On-going	Christine Gilbert- Chief Executive
EN1	Effects of Climate Change not adequately planned for. Failure to understand and plan to mitigate the impact of and adapt to climate change.	Negative impact on health & wellbeing of residents. Increase in energy costs and fees paid to the Environment Agency on Carbon Reduction Commitment Regulations. Environmental targets not met. and reputational risks for being at the bottom of the league table. Increase expenditure to make further adaptations and other levies.	6	3	18	Climate Change Strategy & Action Plan; Travel Plans; Recycling Schemes; 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	2	12		On-going	Sue Harper - Strategic Director of Environment & Neighbourhoods
EN4	Financial/ bankruptcy of major service provider/contractor i.e. waste, street cleansing, trees, parking, leisure services	Catastrophic failure in service delivery/disruption. Council unable to fulfil its statutory duties. Reputational damage and financial implications.	6	3	18	Robust Tendering & Contracting procedures with effective contract clauses when negotiating Contracts. The requirement for financial guarantee / bond / parent company guarantee. Effective Contract Management procedures & arrangements ; regular meetings with contractor; performance monitoring; action plans to address underperformance	Auditor's Reports; Internal Audit Reports; Performance Reports; Performance information.	6	2	12		On-going	Sue Harper - Director of Environment & Neighbourhood
EN5	Risk to personal safety of officers undertaking enforcement action or during the course of their duties.	Serious harm to employees resulting in legal action against the Council ; reputational damage.	5	3	15	Training in personal safety for employees; risk assessment; safe working practices; lone worker guidance.	Audit of Training data, check by HOS on risk assessments	4	3	12		On-going	Sue Harper - Strategic Director of Environment & Neighbourhoods
EN11	Increased risk of service difficulties, reputational harm or failure during organisational change through loss of focus, of continuity and knowledge, and of senior management capacity to support services	Service difficulties or failures cause local or widespread concern and reputational harm to the Council	5	4	20	Plan changes carefully and establish clear accountabilities for service delivery during transitions	Monitoring of transition plans	5	3	15		Ongoing	Sue Harper - Strategic Director of Environment & Neighbourhoods
Finance													

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CS//O/1	Loss of Significant Amount of Client Personal Data caused by ITU Operational activity	Reputation loss through the association of the Brent Council name with disruptable and unethical activities, potential law suites and potential fine from the Information Commissioner.	6	3	18	High level of security in operations, on-going in house user training, continued vigilance, continuous monitoring a reporting. Technical controls are in place to support.	ITU Operational Management	6	2	12	Introduction of new Security Regime as part of the NBCC fit out. Continued attention to detail in security provision.	Ongoing	Peter gadsdon, Operational Director - ICT
Legal & Procurement													
LP4	Non-compliance with EU Procurement Regulations in the letting of Contracts	Financial loss from cost of Legal challenge from unsuccessful tenderers; reputational damage	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	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	Dec-14	Gary Salterpicco - Procurement Manager
LP8	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	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	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.	Dec-14	Fiona Ledden - Director of Legal & Procurement
LP10	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	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	Training provided for those undertaking investigations to include training on witness skills, legal advice to be provided to senior managers involved in disciplinary activities	Dec-14	Fiona Ledden - Director legal & Procurement/Andy Potts - Senior Employment Lawyer
Assistant Chief Executive's Department													
ACE PH4	Contracts to transfer to the local authority for health visiting and FNP in October 15 are not fit for purpose. Adjustment to local authority public health grant is insufficient to cover cost of commissioning the service	Mandated health visiting service not available to children and families in Brent	5	4	20			5	4	20	Work with NHSE London to improve the quality of financial information submitted by the provider. Work with NHSE London to ensure that 15/16 health visiting contract is fit for transfer to Brent Council in October 15	October-15	Melanie Smith DPH
ACE PH3	Failure to identify costed cross departmental priorities for public health action.	Underspend of public health grant while Council seeking to identify significant savings in other budgets	4	5	20	Public Health Delivery Board agreement of process to develop proposals, DPH dialogue with DMTs / SLTs.	PHDB finance reports	3	5	15	escalation to CMT	October-15	Melanie Smith DPH

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ACE CC1	Cuts to ACE dept budgets, estimated at between 20-40%, will affect all corporate teams and will have a strategic and operational impact on capacity to deliver.	The necessity to deliver savings of up to 40% from the ACE department will inevitably impact on service delivery meaning that planned / proactive corporate services and priority behaviour change programmes may not be delivered. The council's reputation may also suffer due to lack of proactive strategy and press work and no resources to support crisis communications.	4	6	24	Close monitoring of departmental and team budgets for over/underspend. Close monitoring of overall council savings required and efficiency savings forthcoming.	1. Cabinet 2. CMT 3. Corporate Finance	2	6	12	All ACE Heads of service will be developing contingency plans for revised service plans that incorporate varying levels of cuts to budgets. Revised models of delivery will specify what services/posts will be compromised and how statutory services will be maintained.	March-15	Ben Spinks, Assistant Chief Executive
ACE CP5	Failure to achieve deadline for resolving stage 1 and stage 2 corporate complaints.	failure to deliver customer standard for complaints response deadlines. Reputational impact of poor customer service and potential compensation payments for delay.	6	4	24	1. Close monitoring of deadlines. 2. Alert reminders sent to departments. 3. Training provided to managers to improve stage 1 complaints resolution. 4. Operational Director sign off of stage 1 complaints. Improvements to the FOI case monitoring system and training provided.		4	3	12	Review of service allocation and responsibilities to be undertaken	March-15	Phillip Mears - Corporate Complaints Manager
ACE PE1	Lack of joined up working between Council and key partners as a result of an ineffective Partners for Brent.	Poor engagement between partners to deliver improvements across the Borough. Initiatives and engagement tools are duplicated leading to a waste in valuable resources	4	5	20	Developing a refreshed approach to taking forward Partners for Brent that is in line with the development of the new Borough Plan. Refreshed approach will include streamlined, fit for purpose structure	Performance reports	4	3	12	New structure will be reviewed after 6 months to ensure it is meeting its aims.	June-15	Carl Cheevers Head of Partnerships and Engagement
ACE OC1	OC Programme Savings 2015/16 and beyond There is a risk that the delay in identifying new OC projects, will limit that amount of savings that can be delivered in 2015/16 through the OC Programme	There could be insufficient lead-in time to agree, scope and put new projects into delivery before April 2015 to be able to realise significant savings in 2015/16	6	4	24	1. It has been agreed that the departmental budget saving process managed by Corporate Finance will be the main mechanism for identifying new large or cross-cutting OC projects. 2. Cabinet is expected to approve 2015/16 departmental budget proposals by late Autumn 2014. 3. Potential 2015/16 budget savings from new OC Projects will need to be realistic given the delay in identification and validated by Corporate Finance.	1. Cabinet 2. CMT 3. Corporate Finance	3	4	12	1. Programme Board to monitor progress with confirming departmental budget savings and the number of new OC projects identified 2. Budget savings published 3. PMO Manager to meet with directors to scope new projects to be included in One Council Programme.	March-15	Irene Bremang

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ACE OC2	OC Project Delivery Resources There is a risk a large number of new OC projects will be identified through departmental budget savings process and there will be insufficient internal project management resource to manage these new projects.	1. External consultants may have be to engaged to project manage some of the new OC projects. This may cause some reputational difficulties as we have made a tactical choice to only use external consultants for specialist project work and not general project management. 2. Some of the projects may have to be de-prioritised until additional capacity is created in the PMO/project delivery team. This could delay improvements and budget savings being delivered as planned.	4	4	16	1. Programme Board to monitor progress with confirming departmental budget savings and the number of new OC projects identified. 2. PMO to assess additional project management resources (after existing team is fully allocated). 3. Formal request to CMT to recruit additional project managers (permanent, fixed term or secondments)	1. CMT 2. Programme Board	3	4	12	1. PMO to continually assess current project management capacity with new OC projects coming into the Programme. 2. Resources to be matched as part of One Council as projects are agreed with CMT and directors	March-15	Irene Bremang

 <p>Brent</p>	<p>Audit Committee 7 January 2015 Council 19 January 2015 Cabinet 26 January 2015</p> <p>Report from the Chief Finance Officer</p>
<p>SHARED INTERNAL AUDIT SERVICES</p>	

1 Summary

- 1.1 The council is seeking to make savings of an average of 40% in the provision of its support services, in response to the financial pressures that it faces. Officers are responding to this challenge by considering different models of service delivery, seeking to reduce costs whilst mitigating the impact on service delivery.
- 1.2 This report sets out a proposal to share internal audit services with the London Boroughs of Ealing and Hounslow. This would enable an immediate saving on management costs to be achieved, as set out in the report, whilst future proofing the important assurance and deterrence functions that the service provides. Over time the proposal would also deliver further financial savings through economies of scale and efficiencies and the opportunity to improve the service by facilitating more cross-borough working and sharing best practice. It particular it would enhance the resilience of the service.
- 1.3 Due to the particular nature of the internal audit service, decisions to change the way in which it is provided, as proposed in this report, require the approval of Council and Cabinet. The same report is therefore being presented to the Audit Committee, Council and Cabinet, but with different recommendations in each case.

2 Recommendations

That the Audit Committee:

- 2.1 Note the proposals and comment as appropriate.

That Cabinet agree to:

- 2.2 Extend the existing contract for internal audit services with the current provider, the London Borough of Croydon in association with Mazars, for one year, from 1 April 2015 until 31 March 2016 for the reasons detailed in paragraphs 4.14 – 4.17.

That Council agree to

- 2.3 Agree to delegate the provision of its internal audit service to the London Borough of Ealing with effect from 1 April 2015 or such later date as may be agreed with the London Borough of Ealing.
- 2.4 Agree to contribute to the cost of operation of such delegated internal audit service by the London Borough of Ealing at a cost, initially, of approximately £75,000 less than the current service cost.
- 2.5 Agree to enter into an agreement confirming the terms of delegation and delegate authority to the Chief Finance Officer in consultation with the Director of Legal and Procurement to determine the precise terms of the legal agreements necessary to achieve the same, as set out in section six of this report.
- 2.6 Agree to the proposed staffing arrangements including the transfer of internal audit and investigation staff to the London Borough of Ealing as set out in paragraphs 4.5 and 4.6.
- 2.7 Note that this proposal will enable the council to reduce the number of heads of service employed by one, the saving from which will contribute towards the £1.4m to be achieved through the corporate management restructure.
- 2.8 Authorise the Director of Legal and Procurement to make any necessary changes to the Council's Constitution to reflect the delegation of the internal audit function to the London Borough of Ealing.

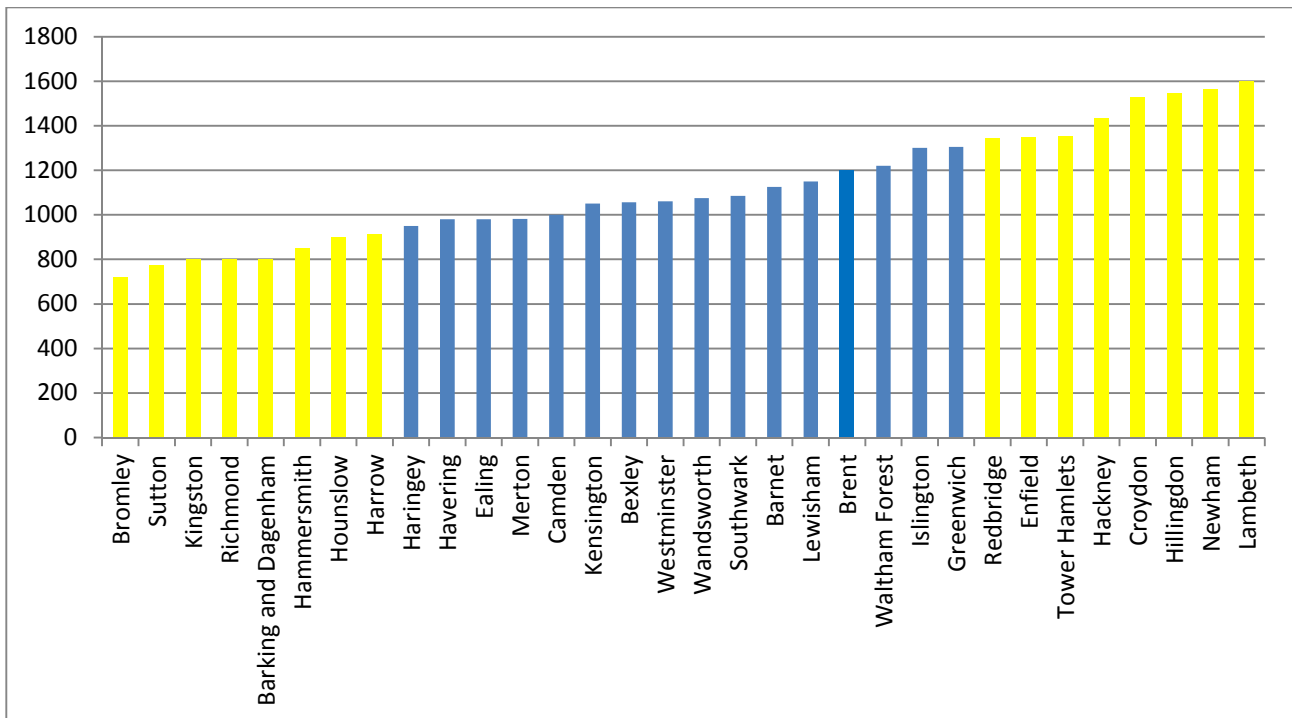
3 Internal audit – background

- 3.1 Internal audit provides an essential service to the organisation, the importance of which should never be underestimated. A good internal audit service provides a council's political leadership and senior management with assurance that business processes across the organisation are effective and that risks are identified and well managed. It assists the external auditors to judge the effectiveness of controls, driving down total audit costs as a result. It highlights exceptions to proper practices and plays the dual role of helping managers to address these whilst also holding them to account.
- 3.2 Internal audit helps to prevent fraud within the council and the borough, advising on system design to reduce fraud risk, promoting a strong anti-fraud ethic, investigating potential cases of fraud and publicising, as appropriate, the sanctions imposed on fraudsters. It provides a responsive service to management where investigations into the actions of individuals are required, and as it has a degree of independence from day to day operations, can provide assurance externally that the council is conducting its business properly.
- 3.3 Like any service, this does not make internal audit immune to change, and savings are required here just as for any other support service. The risk for the council is that, as a relatively small service, once savings beyond a certain level are delivered the remaining function becomes too small to be sustainable or have the economies of scale necessary to remain efficient.
- 3.4 If the service is simply crudely downsized then there are significant risks that it will become increasingly difficult to attract and retain staff with the right mix of skills, especially at the higher end forensic services. At the same time the contract through

which most of the systems work is performed could be squeezed to the point where its management costs become unreasonably high as a proportion of total spend. In addition, accountancy firms of the requisite size to be able to provide the range of services that will always be needed may struggle to provide economic rates for small contracts, driving up day rates and unit costs.

- 3.5 These financial arguments are a relevant consideration. However, it is important to note that perhaps the more significant consideration will be the resilience of the service. Small teams lack the inherent resilience of larger teams and there is a significant risk that substantial downsizing of the service would result in a model that could no longer be confident of delivering high quality outcomes.
- 3.6 For these reasons an alternative service delivery model has been examined, sharing services with Ealing and Hounslow, who already operate a shared internal audit service.
- 3.7 Internal audit currently has a Head of Service, graded Hay 4, performing the Chief Internal Auditor role, responsible for the two principal arms of the service – anti-fraud work and systems and risk audit. On the systems and risk side there is an internal audit manager and one officer, with the bulk of the work carried out by an external provider, currently Mazars. Anti-fraud services are carried out in house, with a team of long-established staff conducting investigations. This team was recently reduced as four staff transferred to the DWP as part of the creation of a national Single Fraud Investigation Service (SFIS), and responsibility for countering HB fraud also passed from the council
- 3.8 This is a fairly common model. Many local authorities outsource their audit and risk services to external providers, as Brent has done. As a result the directly employed staff are relatively few in number: less than 20 including the two apprentices also placed in the unit, and from time to time the council's CIPFA trainees who are also seconded to it.
- 3.9 Around 1,200 input days of systems audit and risk work is planned for 2014/15. This total is suggested to be reduced as part of the budget proposals published at the Cabinet meeting of 15 December 2014. If agreed, this would reduce the audit days to about 900, but this might be supplemented by greater use of trainees. Officers anticipate, if this were agreed, that this would place Brent at around the average figure for London, as other boroughs are also reducing internal audit days in response to financial pressures.

Table One: Audit days 2013/14



3.10 Anti fraud services are, by contrast, provided in house by most local authorities. An external market exists for these services, but is characterised by high day rates. For some specialist investigations it can be the appropriate way forward, but, like most authorities, Brent would only use this if the circumstances of a particular case warranted this specialisation.

3.11 Much of the work of the anti-fraud team is in practice focused on high volume and recurring types of fraud. For example, housing benefit anti-fraud work, until its transfer to the Department for Work and Pensions in October 2014, suited internal delivery. There was sufficient volume of attempted fraud to keep staff consistently busy, and the legislation was complex enough to require particular skills to be developed that led to economies of scale. Having an external contractor do this sort of work is not impossible, but most authorities take the view that the contractual hand-offs associated with this would be unduly complex and expensive, and that the service would be less responsive as a result.

3.12 The same is true of other principal categories of attempted fraud, such as tenancy fraud, which is an increasing area of focus given the housing pressures. It also, sadly, remains the case that some investigations into council employees attempting fraud or committing other financial irregularities will always be needed. Most authorities take the view that a formal external contract for these services with a commercial provider is not likely to be the best way of resourcing these investigations.

3.13 However, by continually reducing these services over the next four years (and the average 40% savings currently targeted for support services are only enough to balance the budget for the next two years) these economies of scale will be reduced as the team downsizes, to the point when it may become difficult to deliver an adequate service at all. And, in fraud investigation work, there are fewer opportunities to deliver efficiencies in a small team, although of course service standards and quality of work can always be improved. In this scenario staffing savings tend to look a lot more like straightforward cuts leading to less work being done, and there are

significant financial and reputational risks associated with adopting a public position of no longer trying to investigate certain types of fraud.

- 3.14 It is also relevant that the inevitable nature of a small service led at a Head of Service (Hay 4) grade is that the management overhead is necessarily high. In most other services a senior manager at this grade would manage a larger group of staff. This reflects the specialist nature of the service being provided, but the council's leaders are rightly concerned to seek to bear down on management costs.

4 Shared service model

- 4.1 In this context a shared service model has, on the face of it, significant potential attractions. There are several such services already operating in London, for example Kingston and Richmond, OneSource (Newham and Havering), the tri-borough service and Ealing and Hounslow, with whom it is proposed to enter into a shared service arrangement.
- 4.2 Hounslow and Ealing operate a shared internal audit service, and have done so for a little more than a year. The service is led by Ealing, who employ the Chief Internal Auditor, who performs this service for both boroughs, with reporting lines in to each Chief Executive and Audit Committee chair as required. Both are satisfied that the service has worked effectively, and in particular Hounslow, as the customer of the service, is satisfied that it receives the assurances that it needs from the service.
- 4.3 Officers have discussed this model, and propose joining the service on the basis set out below.
- 4.4 The model proposed is a 'delegate and buy back' service. This would mean that, if the arrangement were to go ahead, Brent would delegate its audit function to Ealing and enter into an arrangement to buy the service back. This is significantly simpler in procedural terms than establishing a special purpose vehicle or other local authority controlled company or joint committee arrangement. There is the added advantage of joining a known arrangement, rather than trying to create something new. This means that the proposal could be implemented quickly and with fewer risks.
- 4.5 This would mean that the staff concerned would transfer across to Ealing, and TUPE would apply. The immediate staffing saving would be delivered because in the new model the cost of the Head of Internal Audit would be shared between three boroughs, whereas at present Brent pays the entire cost of this role.
- 4.6 It is not proposed to undertake budget reductions for the other staff prior to the transfer. This reflects the fact that the sharing of services is only partly being driven by the need to make immediate reductions in the budget, with a more significant driver being securing a future service, with planned future cost reductions built into the business plan. This means that, other than possibly for the Head of Audit and Investigations role, there are no redundancy costs associated with this proposal.
- 4.7 The advantages of this arrangement are as set out below.
- 4.8 This is joining an existing and successful arrangement. This 'starting small and then expanding' model is a preferable way to achieve successful shared services, as has been demonstrated by the difficulties some larger partnerships have faced.

- 4.9 The boroughs are geographically close. Despite advances in technology it is the nature of internal audit and investigation work that a significant amount of work on site will always be required. Having an arrangement with geographic partners therefore has advantages over, for example, entering into an arrangement with One Source or Richmond and Kingston. This geographic closeness will also enable the development of a co-located audit function with its headquarters in Ealing.
- 4.10 However, it is the nature of the audit function that a high proportion of the work requires an on-site presence, to conduct interviews or to review evidence first-hand, for example. Staff would therefore need to retain a regular presence at the Brent Civic Centre, and continue existing flexible working arrangements, for example to access the council's zip cars to make efficient site visits and so on.
- 4.11 Buying in to this shared service arrangement will enable the development of expertise. On the systems and risk side of the business there would be increasing opportunity for collaboration. It is, for example, obviously more efficient to carry out the standard audits of those systems that always need to be reviewed annually (creditors, council tax and so on) on a three borough basis. The same person can do the audit three times, sharing good practice and reducing the average time taken to do the same element of work. The efficiency gains from this are unlikely to be major, although they would be real. The opportunity for sharing best practice is a more significant opportunity that could lead to material enhancements in the service.
- 4.12 In anti-fraud activities the potential value of such ready access to data sharing across three boroughs will obviously be significant, although care will be needed to ensure that responsibilities under the Data Protection Act are preserved. Would be fraudsters do not limit their activities by borough boundaries, and the ability to co-ordinate more easily internal audit activities across three boroughs could improve detection rates and the deterrence value of the service.
- 4.13 Within a larger service there will also be more opportunity to create staffing structures that promote career development opportunities. Staff will be able to develop expertise in particular areas, or by exposure to different London boroughs gain a wider insight into governance and risk management issues, enhancing their skill sets.
- 4.14 The contracts are also aligned (Ealing and Hounslow operate the same model of service delivery as Brent, with an external provider for most of the systems and risk work and internal staff for the anti-fraud work). Mazars provide internal audit services to all three boroughs, and it is proposed to extend the Brent contract with the current provider, the London Borough of Croydon in association with Mazars, for one year, as is allowed under our contract at our discretion, so that a collective re-procurement exercise can be carried out for 2016/17.
- 4.15 There are significant advantages to the shared service option arising from contract management efficiencies. As the three authorities' contracts are essentially similar it would be much cheaper for one officer to manage them all. This would also enable a more co-ordinated approach to be taken to hold the external contractor to account in the event of under performance.
- 4.16 Future contract re-procurement is also likely to be cheaper, certainly in terms of the internal resource needed to manage the process but also in terms of being able to offer a package that will be more attractive to the market.

- 4.17 As has been noted above, adopting this model would reduce the overall cost of management and its proportion of the total internal audit cost.

5 Other options

- 5.1 Other options have been considered, and these and some other considerations are set out below.
- 5.2 The systems audit and risk management service could be brought back in house. The difficulty with this is that the team to provide the service would be fairly small and therefore hard to sustain. This was what drove many local authorities to outsource it in the 1980s and 1990s when teams were significantly larger. Brent has a total of around 1,200 internal audit days, of which over 900 are provided by the external contractor and the balance by the in house team.
- 5.3 If this part of the service were to be entirely in-sourced the team required to deliver it would be around five FTEs (assuming 900 total audit days), within which it would be difficult to have the full range of skills required. There would also be a high management overhead, as audit programmes for each piece of work would have to be designed individually, whereas an external provider has significant economies of scale. Most local authorities therefore rely on external provision for this. However, where there is scope for variation is in the balance of externally and internally provided audit days.
- 5.4 The option of entirely insourcing the internal audit service has therefore not been pursued. However, the shared service option, with its economies of scale, could in future increase the proportion of audit days delivered internally. This would have the effect of driving down costs and also providing greater training opportunities for the council's apprentices and CIPFA trainees.
- 5.5 Savings could just be delivered by reducing the number of investigation staff. No further reductions in the number of purchased systems and risk management days are proposed at the present time, other than already set out in this report, since this would expose the council to unreasonable levels of risk. The current team of investigators could be reduced from those currently employed in order to deliver immediate savings. However, this is not recommended as it would significantly limit the ability of the council to deliver anti-fraud services. However, the council will retain the right to reduce the cost of this service in the future, under the shared service proposal. This will give the council the ability to deliver future savings in a planned and managed way, preserving the quality of the service.
- 5.6 Other partners have been considered. However, a key issue here is geography. Internal audit is very much a service where outputs are closely correlated to input hours. Of course, the quality of staff and management matters, as for any service, as does the technology required to support, for example, the data matching services that can help to identify fraud risks. Nevertheless, the fact remains that, certainly for the more standardised elements of audit services, such as for routine audits into standard systems or investigations into high volume fraud areas like tenancy and housing benefits, input hours will be a significant determinant of outputs.
- 5.7 In this context a shared service offering not based on geographic proximity is likely to add costs and reduce flexibility. This is not just to do with staff travel to work times, but with the ability of staff to work across more than one site in any short period of time to share best practice and gain efficiencies of scale.
- 5.8 The Ealing offer certainly has the benefit of this geographic continuity. An alternative provider could be OneSource, the shared service vehicle between Havering and Newham. This has been considered, but rejected in this instance because of the distances involved, certainly to Romford. Similarly

the Richmond and Kingston shared service is based too far away to be likely to be successful. Discussions with other potential partners in the London boroughs have not revealed any significant appetite for adding to existing shared service models.

- 5.9 The Ealing model is established and stable. Circumstances can of course change, but decisions need to be progressed based on the current conditions, and at present Ealing have the model that best suits the rapid achievement of a shared service, as well as the advantage of being geographic neighbours.
- 5.10 A more radical option might be to opt for a very different sort of contract for systems audit and risk services. Some of the accountancy firms are developing offers for internal audit services based on higher day rates and more sophisticated data analysis tools. They claim to be able to provide the same or greater levels of assurance at no increase in overall cost. However, these models are relatively new and adopting one at this stage would be a high risk strategy. It would also almost certainly not be cheaper. Officers propose to keep this under review in line with the proposed re-tendering of the three contracts for April 2016.
- 5.11 From this option appraisal officers believe that the best way to secure the future of the internal audit service at a lower cost is to proceed with the shared service option with Ealing.

6 Governance and risk

- 6.1 The shared service model proposed will need effective governance in place to work. The precise details will be resolved through the legal agreement that will need to be drawn up. They will have to include (and are not in any way contentious with Ealing):
- Rights of access of the joint Chief Internal Auditor to the Chief Executive and Chair of the Audit Committee
 - Briefings for the Chair and other Members of the Audit Committee and attendance at them
 - Regular meetings (at least monthly) with the Chief Finance Officer and Monitoring Officer
 - Regular meetings (at least quarterly) with the Chief Executive
 - Attendance at DMTs or other relevant meetings with Directors, for example to address significant audit findings, assist in audit planning and risk identification and to progress confidential matters
 - Liaison with external auditors as appropriate
 - Assurances as to the level and quality of service to be provided
 - Procedures to follow to address complaints or other issues of service quality, including ultimately Brent's rights to terminate the agreement.
- 6.2 Ad hoc meetings on urgent issues as they arise will of course be required, and the nature of the shared service model proposed, with its reduction in management costs, inevitably poses some risks in the situation where urgent issues arise in two or more authorities at once. These have been managed successfully by Ealing and Hounslow and there is no reason in principle to assume that they could not be extended, and to a large extent the risks simply flow from the reduced management costs, which are being managed across the council.
- 6.3 Officers will need to determine whether Brent's interests would be best protected by formally novating the Mazars contract to Ealing, or delegating only the management of it. (Strictly speaking, the contract is with the London Borough of Croydon, who have let a framework contract which Brent

accesses). Novating the contract would mean that Brent would no longer have a formal contractual arrangement with Croydon and Ealing would enter into a contract with them, on the same terms that Brent currently has. Brent's legal agreement with Ealing would then ensure delivery of the services. If the contract management was delegated, without novation, then Brent would continue to hold the legal contract. There are various technical arguments for and against either approach, which officers are resolving, but in either case the continued delivery of the service would be guaranteed.

- 6.4 A nominated point of contact within Brent for day to day contract management issues and for intelligence gathering and briefing will be required. This is proposed to be the Operational Director, Finance. However, the sensitive nature is such that Chief Finance Officer will continue to exercise close personal oversight of the head of internal audit, albeit that this will become a relationship managed under a shared service agreement rather than under an employment contract.
- 6.5 In conclusion, the shared service option with Ealing and Hounslow offers a robust opportunity to reduce costs without introducing significantly greater risks. The shared service could enhance efficiencies and the quality of service offered, for example by allowing economies of scale and sharing of best practice.
- 6.6 The disruption to staff through the transfer would of course need to be carefully handled. However, TUPE will apply with all the protections that implies, and the transfer will be to another local authority rather than to a private company. In the slightly longer term the model should also offer staff better career paths through being part of a larger service.
- 6.7 Above all, from a managerial perspective, it offers the chance to deliver savings in management costs and efficiencies complemented by modest reductions in services, rather than wholesale service reductions and the accompanying significant increase in risk.

7 Financial implications

- 7.1 The gross expenditure budget for the current service is £1.1m, of which £0.8m relates to staffing costs and £0.3m to the internal audit contract. Some amendments to this will be required in 2015/16, to reflect transfers of staff to the Single Fraud Investigation Service earlier in the year
- 7.2 On a like for like basis agreeing this proposal would deliver a saving of approximately £75,000 through sharing the costs of the Chief Internal Auditor.
- 7.3 There are good grounds for assuming that further efficiency savings could be delivered through this arrangement in the future. This could be achieved through more efficient procurement and contract management by achieving economies of scale, for example. Enabling more cross borough working and staff specialisation will also create opportunities for service enhancement.

8 Legal implications

- 8.1 Section 101 Local Government Act 1972 enables an authority to make arrangements for the discharge of its functions by a committee, subcommittee or officer of the authority or by another authority (sections 19 and 20 Local Government Act 2000 deal with executive functions).

- 8.2 Support Services such as Internal Audit Services are classified as non-executive functions under the Local Authorities (Functions and Responsibilities) (England) Regulations 2000 SI 2000/2853 as amended (Paragraph 139 of Schedule 1), as are staffing matters under Section 112 Local Government Act 1972. As a result, the decision regarding delegation of the service needs to be made by a non-executive body, such as full Council.
- 8.3 It should be noted that the arrangements proposed are not intended to amount to a procurement of services which would fall within the scope of the EU Procurement Rules. Instead, Brent is delegating its internal audit function to the London Borough of Ealing and it is the London Borough of Ealing exercising the function on behalf of Brent, rather than agreeing some form of contractual arrangements, similar to those which would pertain with an external provider of internal audit services.
- 8.4 In practice this means that the Chief Internal Auditor is carrying out the audit function on behalf of Brent and the collaboration agreement records the terms upon which costs will be shared and the other practical issues which have been documented for the arrangements. It also means that various roles and responsibilities will need to be reflected in Brent's Constitution which is likely to require amendment as a result of the new arrangements. Until the full details of the legal agreement governing the terms of the delegation are agreed, it is not possible to specify all the changes that may be required to Brent's Constitution.
- 8.5 As detailed in recommendation 2.1, Cabinet approval is sought to extend the existing contract for internal audit services with the current provider. An ability to extend is provided for in the current contract and is permitted under EU Procurement Rules. As detailed in paragraph 6.3, there are ongoing discussions as to whether such contract should be formally novated to the London Borough of Ealing or the London Borough of Ealing should only manage it on Brent's behalf. Irrespective of the option selected, there is still a requirement for Brent to extend the contract prior to its current expiry date of 31 March 2015.
- 8.6 As indicated at paragraph 4.5, staff would transfer to the London Borough of Ealing pursuant to TUPE. When TUPE was first drafted it applied when there was a transfer of a recognisable economic entity. The precise definition of what a recognisable economic entity amounted to was the subject of a huge amount of debate and litigation. The result of that was that some transactions that involved staff transfers, in their non legal meaning, were held not be covered by TUPE. As a result the ambit of TUPE was widened so as to include service provision changes ("SPC").
- 8.7 An SPC has a very wide definition and was designed deliberately on that basis to essentially bring as many transactions within the ambit of TUPE as possible. In this case it seems relatively clear that TUPE would apply as the **"activities cease to be carried out by a person on his own behalf and are carried out instead by another person on the client's behalf..."** This definition is capable of covering a huge amount of situations and the one proposed here is caught, beyond doubt, and as such TUPE is certain to apply.
- 8.8 TUPE as a process is not that difficult to manage but there is a lot of accumulation and tabulation of detail required. Similarly, there are positive duties to inform and consult on various matters that have to be observed as a

matter of law.¹ Failure to observe such matters could result in litigation and the potential for compensation to be awarded. As a result it will invariably be the case that the earlier that an HR Manager can be appointed to project manage that process the more successful and smoother that process is likely to be.

- 8.9 As the internal audit function is being delegated to the London Borough of Ealing, Brent will suffer a loss of direct control over the delivery of the internal audit service and the management of staff. In order to mitigate against this, there will be a collaborative agreement setting out in detail governance and service delivery requirements. Appropriate performance management arrangements and exit clauses would be needed to be negotiated, as is standard in any such arrangement.
- 8.10 There is no statutory requirement for auditors to be employees of the Council nor is there any statutory requirement for an auditor to be employed by the Council to present evidence at a disciplinary or other hearing. There have been various challenges made to individuals investigating and presenting cases at disciplinary hearings who are not direct employees. However, none of those challenges have ever succeeded, primarily as there is no legal requirement for this to be the case and secondly, because the test is essentially whether it is reasonable to appoint an individual who is not an employee. As long as the individual is competent and able, their employment status is not an issue.

9 Staffing and equalities implications

- 9.1 Staff would be protected by TUPE transfer. The only immediate potential redundancy would be of the Head of Audit and Investigations. Change processes would need to be handled in accordance with policy, including the proposed change of work locations.
- 9.2 Becoming part of a larger team with shared expertise will allow some improvement to staff development opportunities.

10.0 Background Papers

- 10.1 None

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