



## Audit Committee

**Monday 24 November 2014 at 7.30 pm**

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

### Membership:

#### Members

Mr Ewart (Chair)

Councillors:

Khan (VC)

A Choudry

McLeish

Van Kalwala

Davidson

#### Substitute Members

Councillors:

RS Patel, Krupa Sheth, Stopp and Thomas

Councillors:

Ms Shaw and Warren

**For further information contact:** Bryony Gibbs, Democratic Services Officer,  
020 8937 1355, [bryony.gibbs@brent.gov.uk](mailto:bryony.gibbs@brent.gov.uk)

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

# Agenda

Introductions, if appropriate.

Apologies for absence and clarification of alternate members

Item	Page
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<b>1</b>	<b>Declarations of personal and prejudicial interests</b>	
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Members are invited to declare, at this stage of the meeting, any relevant financial or other interest in the items on this agenda.

<b>2</b>	<b>Deputations (if any)</b>	
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<b>3</b>	<b>Minutes of the previous meeting</b>	1 - 8
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<b>4</b>	<b>Matters arising</b>	
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<b>5</b>	<b>KPMG Annual Audit Letter</b>	9 - 14
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This report summarises the key findings from the 2013/14 audit of the London Borough of Brent. The audit covers the audit of the Authority's 2013/14 financial statements and the 2013/14 Value For Money conclusion.

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

Tel: 020 8937 6528 [conrad.hall@brent.gov.uk](mailto:conrad.hall@brent.gov.uk)

<b>6</b>	<b>Internal Audit Progress Report</b>	15 - 36
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This report provides an update on progress against the internal audit plan for the period 1 April 2014 to 31 October 2014. The report also provides a summary of counter fraud work for 2014/15.

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

Tel: 020 8937 6528 [conrad.hall@brent.gov.uk](mailto:conrad.hall@brent.gov.uk)

**7 National Fraud Initiative - Outcomes and Information for Elected Members and Decision Makers 2012/13** 37 - 54

This report provides an analysis of the Audit Commission publication, "National Fraud Initiative - Outcomes and Information for Elected Members and Decision Makers 2012/13"<sup>1</sup>. This shows a comparison of results between the council and the CIPFA nearest neighbour councils.

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

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

**8 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.

**9 Date of next meeting**

The next scheduled meeting of the Audit Committee is scheduled to be held on 7 January 2015.



- 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.

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## LONDON BOROUGH OF BRENT

### MINUTES OF THE AUDIT COMMITTEE Monday 29 September 2014 at 7.00 pm

PRESENT: Councillor Mr Ewart (Chair), Councillor Khan (Vice-Chair) and Councillors A Choudry, McLeish, Thomas and Warren (alternate for Councillor Davidson).

Also present: Councillors Butt, S Choudhary, Filson and Pavey

Apologies for absence were received from: Councillors Van Kalwala and Davidson

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

None.

#### 2. **Deputations**

None.

#### 3. **Minutes of the previous meeting held on 26 June 2014**

RESOLVED:-

that the minutes of the previous meeting held on 26 June 2014 be approved as an accurate record of the meeting.

#### 4. **Matters arising**

##### ***ISA 260 for 2012/13***

It was noted that the Chief Finance officer had circulated the ISA 260 to all members, as requested.

##### ***Section 106 legal agreement.***

Members noted that the breakdown of the Council's receipts for Section 106 legal agreements had not been circulated and requested that the Operational Director of Planning and Regeneration be reminded to do so.

#### 5. **Statement of Accounts 2013/14 and External Auditor's Report**

The Committee considered a report that summarised the key findings arising from the audit work by KPMG (external auditors) of the Authority's 2013-14 financial statements, Brent Pension Fund Scheme administered under the Local Government Pension Scheme and KPMG's 2013-14 conclusion on the Authority's

arrangements to secure economy, efficiency and effectiveness in its use of resources ('VFM conclusion').

Phil Johnstone, Director of KPMG stated that KPMG anticipated issuing an unqualified audit opinion on the Authority's financial statements by 30 September 2014 and an unqualified audit opinion in relation to the Pension Fund's financial statements. KPMG also expected to report that the wording of Authority's Annual Governance Statement (AGS) accorded with their understanding. He reported that a material adjustment of £28.7 million to the primary financial statements which related to the valuation of additions to Council dwellings was identified. In addition five other non trivial audit adjustments and a small number of trivial presentational adjustments were identified. He emphasised that these did not impact on the General Fund balance.

He informed members that KPMG worked with officers throughout the year to discuss the significant audit risk area identified arising from the triennial valuation of Brent Pension Fund. In his view, the Authority addressed the issues appropriately. The standard audit risk of management override of controls and the audit testing of journal entries, accounting estimates and significant transactions outside the normal course of business or unusual were considered but did not identify any issues. The Director added that the changes by the Authority to the format of the financial statements this year to help make them reader friendly for interested parties was a welcome approach and demonstrated considerable thought. Phil Johnstone found that the financial statements were prepared to a good standard with working papers ready for the start of the audit and that officers dealt efficiently with audit queries. He continued that the Authority's organisational control environment was effective and that no significant weaknesses in controls over key financial systems were identified.

Phil Johnstone drew members' attention to two recommendations made in relation to strengthening the Authority's control environment both relating to Plant, Property and Equipment and clarified them as follows; on the revaluation of Council dwelling additions, the Authority's surveyor should review the amount spent and calculate the increase in market value of Council dwellings as part of the closedown process for 2014/15; on the valuation of the Civic Centre, the components of the Civic Centre should be separately included in the fixed asset register and depreciated over their respective estimated useful lives. He added that management response to both recommendations was positive with anticipated completion date of March 2015.

A member observed that the statement of accounts did not mention payments to the current Chief Executive and enquired as to the reasons for the non-disclosure. He also enquired as to whether the Council's Private Finance Initiative (PFI) contracts represented value for money. In responding to the Chief Executive's salary, the Chief Finance Officer stated that the amount paid was reflected in the accounts, a view that was shared by Phil Johnstone who added that in KPMG's view, this matter raised no issue of concern in the accounts. In respect of PFI contracts, the Chief Finance Officer clarified with reference to note 29 of the accounts (appendix 2) that amplified the Council's PFI contracts and service concessions. Phil Johnstone added that the impact of those contracts was not significant on the size of Brent's accounts and reiterated that in KPMG's view, those contracts raised no issues of concern.

Phil Johnstone stated that the Authority had the right structure in place for income generation and to deliver changes to service, adding that and in the detail risk assessment undertaken KPMG did not identify issues of concern. The level of reserves was also considered adequate. Conrad Hall (Chief Finance Officer) advised members that the Pension Fund deficit was a long term liability which was planned to be eliminated over the next 21 years through a combination of investment returns and additional payments by Brent Council, in accordance with the triennial actuarial valuation of the Fund, undertaken as at 31 March 2013.

On behalf of the Committee, the Chair expressed appreciation to KPMG, the Chief Finance Officer and his team for an excellent work on the 2013/14 accounts. In welcoming the report and the opinions expressed by the external auditors, members approved the statement of accounts and agreed that the Chair sign them, and he and the Chief Finance Officer sign the letter of representation to KPMG.

RESOLVED:-

- (i) that the statement of accounts 2013/14 and external auditor's report be approved and signed by the Chair as such;
- (ii) that the letter of representation to KPMG (external auditor) be approved.

#### **6. 2014/15 Mid year treasury management**

Members received a report from the Chief Finance Officer that provided an update on treasury management for 2014/15, in accordance with the 'CIPFA Code' which recommended that members be informed of treasury management activities at least twice a year. Mick Bowden (Operational Director of Finance) advised the Committee that the Council continued to seek opportunities to minimise current and longer-term costs, commensurate with the overriding need to safeguard the Council's resources. With that in view, the successful identification, monitoring and control of risk were central to the Council's treasury management strategy.

The Operational Director drew members' attention to the Public Works Loan Board (PWLB) rates and added that due to its simplicity affordability and ease, PWLB represented a strong advantage over other sources of long term funding. Members heard that through the Council's adopted cautious and considered approach no loans have been raised so far this year. He continued that officers had complied with its Prudential Indicators for 2014/15, which were set in March 2014 as part of the Council's Treasury Management Strategy Statement (TMSS) and confirmed that the Council's treasury management activity during the current financial year had been in accordance with the strategy and budget approved by the Council for 2014/15.

In his closing remarks, Operational Director informed the meeting that a member training session on treasury management to be delivered by Arlingclose was being organised prior to the start of the next meeting which would be held on 24 November 2014. The training session would commence from 5.00pm.

On behalf of the Committee, the Chair expressed appreciation to KPMG, the Chief Finance Officer and his team for an excellent treasury management progress report.

RESOLVED:-

that the 2014/15 mid year treasury management report be noted.

## 7. **Internal audit progress report 2014/15**

Members considered a report which provided an update on progress against the internal audit plan for the period 1 April 2014 to 31 August 2014. The report also provided a summary of counter fraud work for 2014/15 and the appendix to the report summarised those reports from the 2013/14 plan which had been finalised since the last committee meeting.

Simon Lane Head of Internal Audit and Investigation informed members that of the Internal Audit Plan for 2014/15 of 1,200 days, 905 days would be delivered by Mazars and a further 295 days would be delivered in-house. In setting out the key points, he stated that there were 78 projects on the current plan (excluding follow up and advisory work) and that work had commenced on 39 of them. 6 projects were removed from the original agreed plan which had been replaced with 4 others and that 10 projects had been delayed at the request of management from quarters 1 or 2. 18 projects had been completed to draft or final stage of which 14 had an audit opinion associated with them; 11 substantial and 3 limited. The other projects were grant certifications which did not have an assurance rating attached to them.

Simon Lane drew members' attention to the list of limited assurance reports together with recommendations made and deadlines for implementation. Members noted that limited assurance report was issued for the marketing of space available for hire at the Civic Centre, sickness absence management, adult social care, millennium centre, demolition of properties in South Kilburn and Children and Young People which could impact on the council's funds. He pointed out that 3 further limited assurance reports (Adolescence, IT contracts between departments and BHP former tenants arrears) issued did not impact on the council's funds. Members welcomed a team from Children and Young People Gail Tolley (Strategic Director, Children and Young People), Graham Genoni (Operational Director, Social Care) and Nigel Chapman (Head of Placements) who were in attendance to brief the Committee on actions taken by the department to address limited assurance report issued .

Gail Tolley (Strategic Director, Children and Young People) in setting out the context stated that the Framework financial system had been introduced in early 2014. The fieldwork for this audit was undertaken in February 2014 with a draft report completed in May 2014 with a final version issued in September 2014. Following the fieldwork, prompt actions were taken to address issues raised in the report. Members heard that actions had been taken in the following priority areas;

- (i) Document retention system was now in place and firmly established and that a framework agreement was in place with all fostering agencies using the West London Alliance framework.



- (ii) Care plans were being completed on time, signed off by a manager with an additional tracking system for monitoring in place.
- (iii) Statutory time frames for Looked After Children (LAC) were being met and improved monitoring system was in place following the appointment of a new lead manager.
- (iv) Since February 2014, all providers were being required to submit their remittance slips by the 15<sup>th</sup> of the following month, otherwise payment would be withheld. A small number of remittance slips were outstanding from January 2014 and these have been chased.

Graham Genoni added that the financial systems put in place had enabled officers to cross reference and thus minimise any slippage. He continued that the current Frameworki system together with collaborative role with West London Alliance (WLA) had enabled the department to bring the level of historic overspending under control. Members heard that the social care service was more robust than before with increased monitoring, auditing and adequate caseload for care planning teams being supported.

In response to members' questions officers from Children and Young People (C&YP) confirmed that since the Frameworki system was introduced in February 2014, progress had been made and that the service was complying with the requirements of the audit report. The system which enabled officers to cross reference and minimise any slippages and together with collaborative role with West London Alliance (WLA) had resulted in historic overspending being brought under significant control. Officers and managers were confident that the current system and measures in place were more robust to address the concerns raised in the last audit report. Members were advised that all Looked After Children (LAC) had access to advocacy services and that educational psychology services were built into their care packages where this was clearly set out as beneficial within their care plans.

Simon Lane then gave a progress report on internal fraud, housing benefit fraud, housing tenancy fraud and other external fraud as set out in the report. He continued that the Department of Works and Pensions (the DWP) had established a single fraud investigation service and staff currently working within the Audit and Investigation team would transfer to the DWP on 1<sup>st</sup> October 2014. Due to the changes, Audit and Investigations were no longer accepting HB fraud referrals as they were all being routed through to the DWP. All work on HB fraud had effectively ceased as the team prepared to migrate case files by secure methodology to the DWP. He advised members that cases which had already been referred to the council's legal service for prosecution would continue to be dealt with by the council but any further investigative input would come from DWP staff. The funding implications of the transfer for the Council were highlighted.

It was agreed that the transfer of fraud work and staff to the DWP be publicized in Brent Magazine and via councillors' surgeries so that the public would know where to go. In bringing the discussion to an end the Chair commended officers of Audit and Investigation team and Mazars for the internal audit progress report. He drew members' attention to the list of areas for which limited assurance reports were

issued requested if they wished to make further additions to it. It was suggested that the audit report on IT contract be included if it was completed.

RESOLVED:-

that 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 of the report be noted.

## 8. Risk register

The Committee received a report that provided an update on the Council's current corporate risk register. Simon Lane (Head of Audit and Investigations) informed members about changes to the scoring of financial impacts with limits increased by 50% for different categories so as to make it easier to differentiate between levels of risks. Members also heard that there had been a number of changes since the Committee last reviewed the risk register in March 2014 which he clarified.

Each strategic risk had now been linked to an existing Borough Plan theme, the key objectives for the council with a number of updates made to reflect the current position. He continued that Operational Risks within Regeneration and Growth had been promoted from the departmental register onto the corporate register due to high risk scores. These included the risk of lack of business investment in the borough resulting in reduced National Non Domestic Rate (NNDR) receipts; customer service transformation; and Employment training initiatives.

He advised members on the following risks which had been removed due to reduced risk scores;

- (i) assaults within the Civic Centre that due its low risk scores;
- (ii) recycling target not being met by March 2014 and mobilisation of public realm contract within Environment and Neighbourhood;
- (iii) fraud risk; failure to produce medium term financial strategy; Pension fund position and IT systems failure within Finance and IT. A new risk concerning data security was added however;
- (iv) all existing risks within the Assistant Chief Executive's Department although two new risks concerning public health were added.

Councillor Warren queried whether the Troubled Families Programme was considered a risk. Simon Lane responded that there were financial risks attached to non achievement of the programme. Councillor Warren also commented that there were risks also to those families identified as being troubled families if the council did not deliver on the programme.

RESOLVED:-

that the Council's updated Corporate Risk Register be noted.

## 9. Any other urgent business

None.

10. **Date of next meeting**

Members noted that an additional meeting had been scheduled to take place on 24 November 2014 and that a training session on treasury management by Arlingclose would commence from 5.00pm.

The meeting closed at 9.32 pm

D Ewart  
Chair

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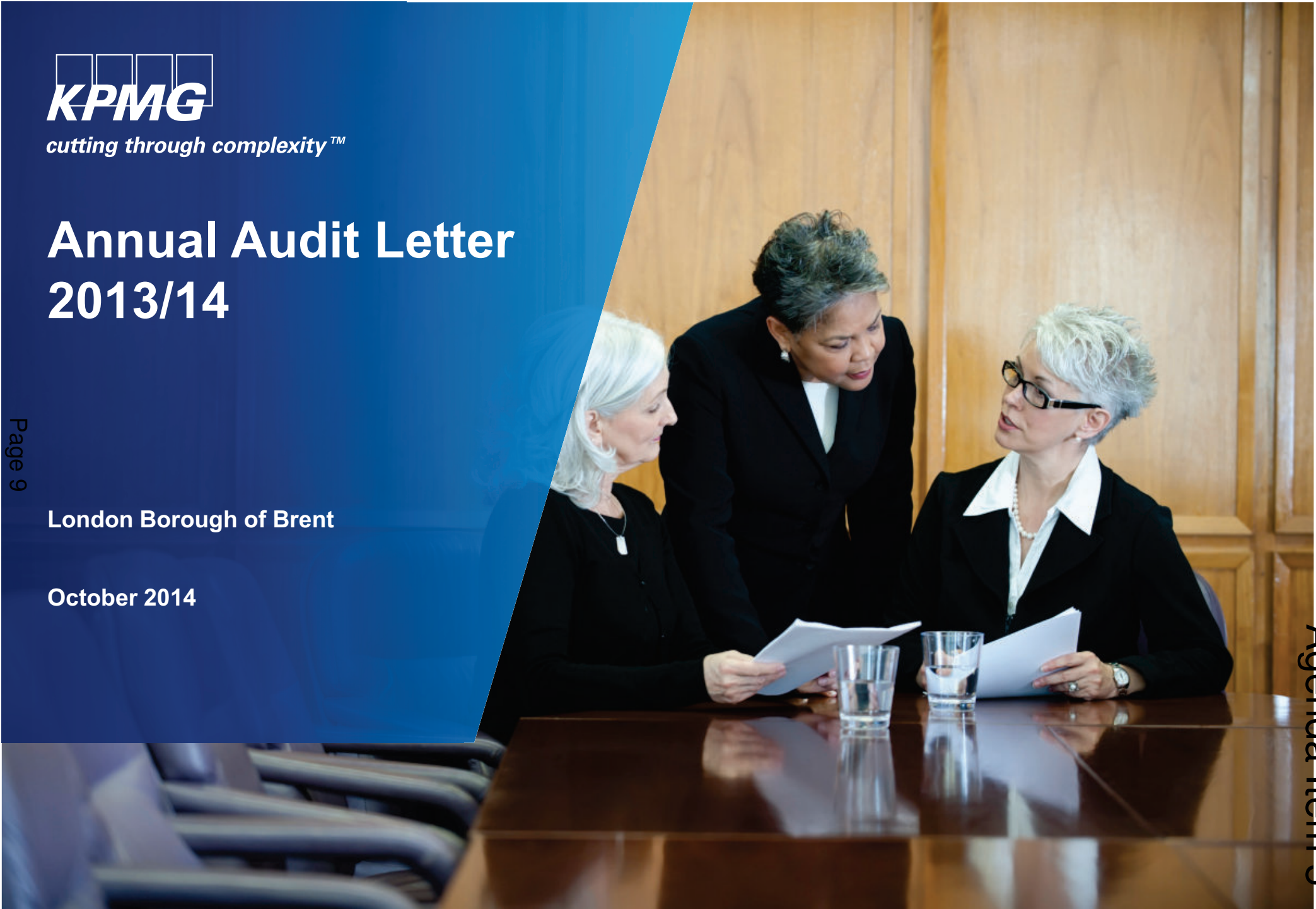
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# Annual Audit Letter 2013/14

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London Borough of Brent

October 2014



Agenda Item 5

The contacts at KPMG in connection with this report are:

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## Report sections

- Headlines

## Appendices

1. Summary of reports issued
2. Audit fees

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

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

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Philip Johnstone, the appointed engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 246 4000, or by email to [trevor.rees@kpmg.co.uk](mailto:trevor.rees@kpmg.co.uk), who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, 3<sup>rd</sup> Floor, Fry Building, 2 Marsham Street, London, SW1P 4DF or by email to [complaints@audit-commission.gsi.gov.uk](mailto:complaints@audit-commission.gsi.gov.uk). Their telephone number is 0303 4448 330.



## Section one Headlines

**This report summarises the key findings from our 2013/14 audit of the London Borough of Brent (the Authority).**

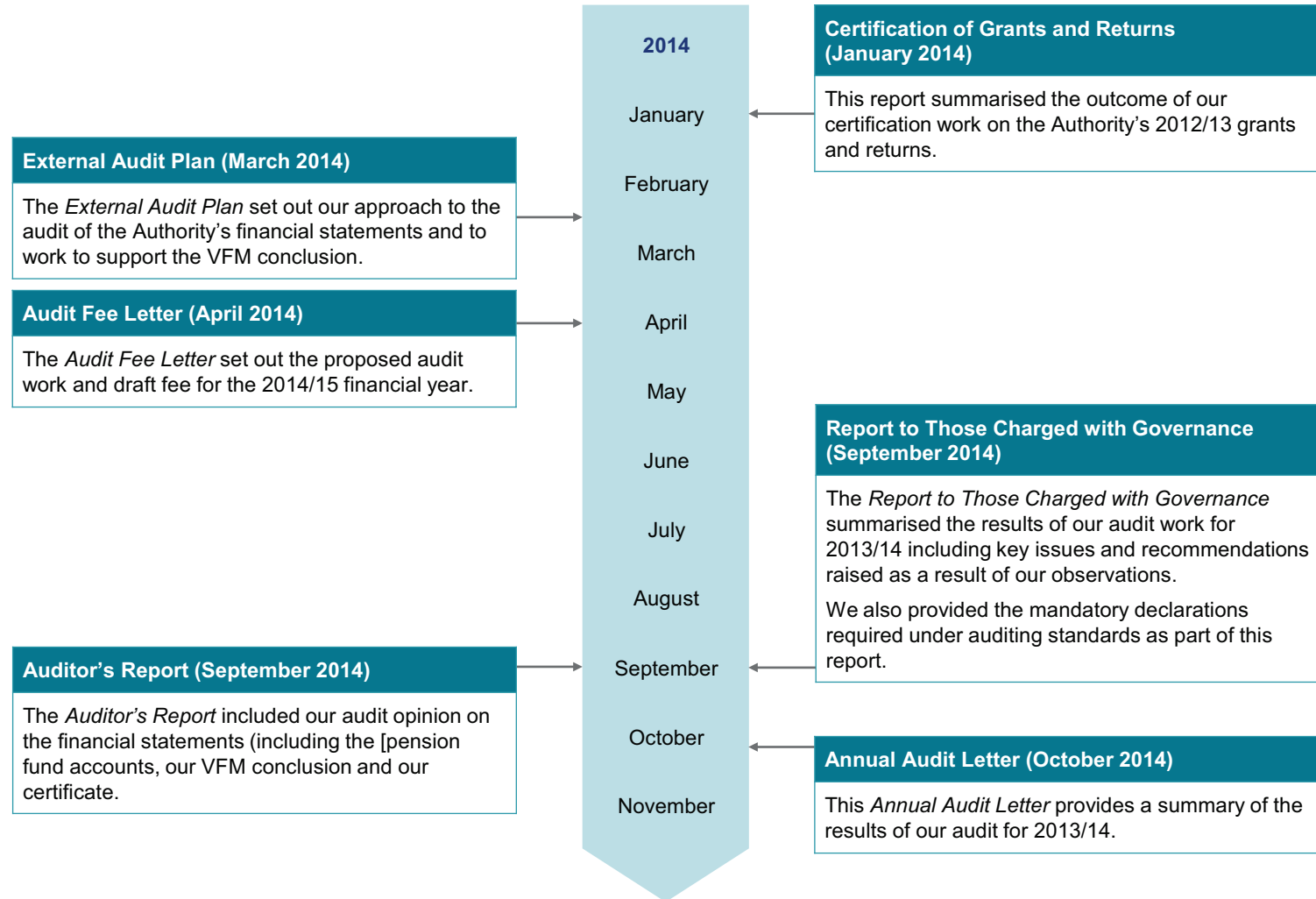
**Although this letter is addressed to the Members of the Authority, it is also intended to communicate these issues to key external stakeholders, including members of the public.**

**Our audit covers the audit of the Authority's 2013/14 financial statements and the 2013/14 VFM conclusion.**

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<b>VFM conclusion</b>	We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2013/14 on 30 September 2014. This means we are satisfied that you have proper arrangements for securing financial resilience and challenging how you secure economy, efficiency and effectiveness.  To arrive at our conclusion we looked at your financial governance, financial planning and financial control processes.
<b>Audit opinion</b>	We issued an unqualified opinion on your financial statements on 30 September 2014. This means that we believe the financial statements give a true and fair view of the financial position of the Authority as at 31 March 2014 and of its expenditure and income for the year then ended. The financial statements also include those of the pension fund and the Authority's Group, which consists of the Authority itself and Brent Housing Partnership Limited.
<b>Financial statements audit</b>	The Authority changed the format of the financial statements this year to help make them easier for interested parties to read. We welcome this approach by officers which shows considerable thought and in our view has succeeded in its aim to make the accounts more easily readable.  We identified one material adjustment of £28.7 million to the primary financial statements which related to the valuation of additions to Council dwellings. This, and five other non trivial adjustments, were made to the draft financial statements. These had no impact on the Council's General Fund or Housing Revenue Account balances.
<b>Annual Governance Statement</b>	We reviewed your <i>Annual Governance Statement</i> and concluded that it was consistent with our understanding.
<b>Pension fund audit</b>	There were no significant issues arising from our audit of the pension fund.
<b>Whole of Government Accounts</b>	We reviewed the consolidation pack which the Authority prepared to support the production of Whole of Government Accounts by HM Treasury. We reported that the Authority's pack was consistent with the audited financial statements.
<b>Certificate</b>	We issued our certificate on 30 September 2014.  The certificate confirms that we have concluded the audit for 2013/14 in accordance with the requirements of the <i>Audit Commission Act 1998</i> and the Audit Commission's <i>Code of Audit Practice</i> .
<b>Audit fee</b>	Our fee for 2013/14 for the Authority's accounts was £266,120 excluding VAT and for the Pension Fund £21,000 excluding VAT. This final fee is subject to agreement with the Audit Commission as additional work was required in connection with National Non Domestic Rates. Further details are contained in Appendix 2.

This appendix summarises the reports we issued since our last *Annual Audit Letter*.





This appendix provides information on our final fees for 2013/14.

To ensure openness between KPMG and your Audit Committee about the extent of our fee relationship with you, we have summarised the outturn against the 2013/14 planned audit fee.

**External audit**

Our final fee for the 2013/14 audit of the Authority was £266,120 (2012/13: £272,367). This compares to a planned fee of £263,520. The reason for this variance is that we had to complete additional work on the financial statements relating to National Non Domestic Rates where in the past we had audited this income separately as part of certification of grants and returns work.

Our final fee for the 2013/14 audit of the Pension Fund was in line with the planned fee of £21,000 (2012/13 £21,000).

Our fees for the additional work are still subject to final determination by the Audit Commission.

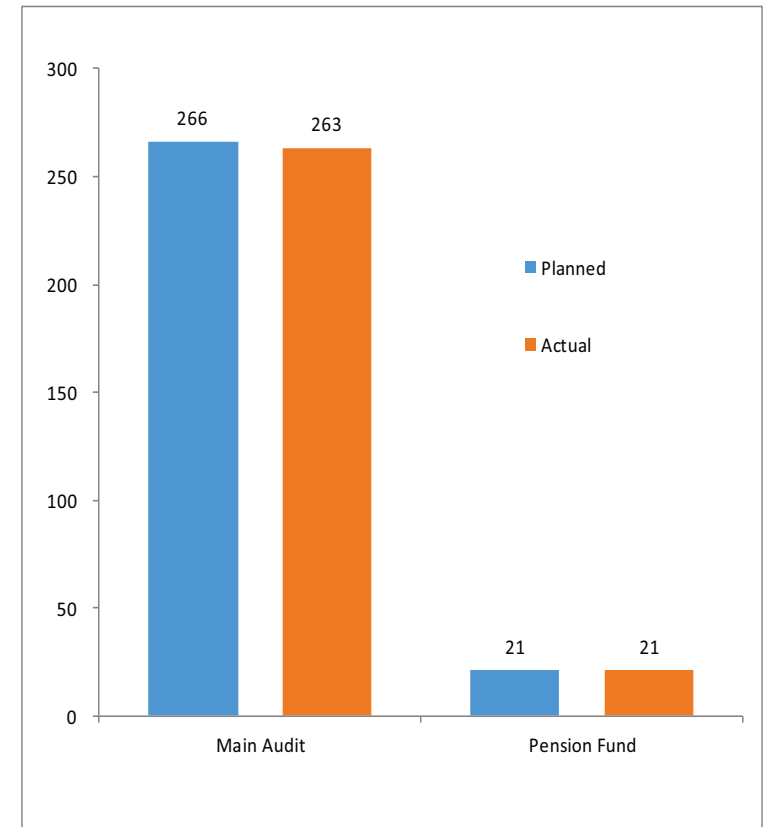
**Certification of grants and returns**

Our grants work is still ongoing and the fee will be confirmed through our report on the *Certification of Grants and Returns 2013/14* which we are due to issue in January 2015.

**Other services**


We did not provide any non audit services to the Authority in 2013/14.

**External audit fees 2013/14 (£'000)**





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 <p><b>Brent</b></p>	<p><b>Audit Committee</b> 24 November 2014</p> <p><b>Report from the Chief Finance Officer</b></p>
<p>For Information <span style="float: right;">Wards affected: All</span></p>	
<p><b>Internal Audit Progress Report 2014/15</b></p>	

**1. Summary**

1.1. This report provides an update on progress against the internal audit plan for the period 1<sup>st</sup> April 2014 to 31<sup>st</sup> October 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.

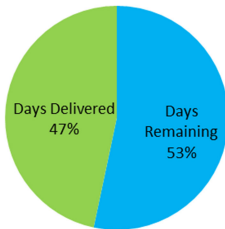
**3. Detail**

**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:

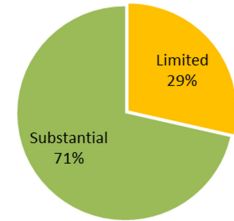
- 640 days have been delivered of a total of 1,200.



- There are 80 projects on the current plan (excluding follow up and advisory work). 29 projects have been completed to draft or final stage



- 21 of these have an audit opinion associated with them, 15 are substantial, 6 are limited. The other projects were grant certifications which do not have an assurance rating attached.



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
<b>Assistant Chief Executive</b>				
Public Health Grant Receiving Organisations	10	6	WIP	
Review of Payment Processes to Public Health Suppliers and Grant Recipients	3	3	Final Report	Non Assurance
Review of Security of Personal Data across PH Providers	10	6	WIP	
Contingency for Public Health work	20			
Public Health Board Meetings	5	3	Ongoing	
<b>ACE Total</b>	<b>48</b>	<b>18</b>		
<b>Adult Social Care</b>				
Adult Commissioning	15		Q4	
Carers	10		Q3	
Mental Health	15	2	WIP	
Safeguarding	15	15	WIP	
Appointeeship & Deputyship	15	14	WIP	
Personalisation - Direct Payments & Personal Budgets	20	20	Draft Report	Limited
Supporting People	12	12	Final Report	Substantial
<b>ASC Total</b>	<b>102</b>	<b>63</b>		
<b>Children and Young People</b>				
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	Draft Report	Substantial
St Margaret Clitherow	10	10	Final Report	Substantial
St Andrews and St Francis	10	10	Final Report	Substantial
St Mary's RC	10	2	WIP	
Princess Frederica	10	10	Draft Report	Limited
Islamia	10	10	Q4	
JFS	10	10	Draft Report	Limited
Follow up work for the schools with Limited Assurance	7	4		
Troubled Families System Audit	15		Q3	
Troubled Families Grant Claim Certification	6	6	Grant	Certified

Families Worked with June 2013			Certified	
Troubled Families Grant Claim Certification Payment By Results August 2014	6	8	Grant Certified	Certified
Troubled Families Grant Claim Certification Payment By Results October 2014	6	8	Grant Certified	Certified
Troubled Families Grant Claims January 2015	12			
Adoption Allowance Grant Certification	1	1	Grant Certified	Certified
Adoption Allowances	12	12	Draft Report	Substantial
Care Leavers	10	10	Draft Report	Substantial
No Recourse to Public Funds (Adolescent Prevention Service)	10	10	Draft Report	Limited
School Admissions	12	12	Draft Report	Substantial
<b>C&amp;YP Total</b>	<b>217</b>	<b>183</b>		
<b>Finance</b>				
Accounts Payable	15		Q3	
Accounts Receivable	15		Q3	
General Ledger	15		Q3	
One Oracle Project	5	3	Ongoing	
Treasury Management	10	10	Final Report	Substantial
Cash & Bank	15		Q3/4	
<b>Finance Total</b>	<b>75</b>	<b>13</b>		
<b>Human Resources</b>				
Pension Administration	15	1	WIP	
Payroll	20	1	WIP	
<b>HR Total</b>	<b>35</b>	<b>2</b>		
<b>IT</b>				
Information Governance	20	16	WIP	
Acolaid	15	2	WIP	
IT Digital Delivery	15	3	WIP	
One Oracle Post Implementation	20	4	WIP	
Ecoh	12		Q4	
IT Contracts	10	10	Final Report	Limited
Contingency for IT projects	5			
Follow up	10	3	Throughout Year	
<b>IT Total</b>	<b>107</b>	<b>40</b>		
<b>ENVIRONMENT &amp; NEIGHBOURHOOD SERVICES</b>				
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		Q3	
Vale Farm Contract	8	2	WIP	
Licencing	15	10	WIP	

Street Tree Contract	10	10	Final Report	Substantial
Barham Park Trust Accounts	5	5	Opinion Issued	Unqualified
<b>E&amp;N Total</b>	<b>114</b>	<b>59</b>		
<b>Legal and Procurement</b>				
Category Management	15		Q4	
Members – Declarations of Interests & Gifts and Hospitality	10	1	Q3	
Election Expenses	10		Q4	
Procurement	20		Q3	
<b>L &amp; P Total</b>	<b>55</b>	<b>1</b>		
<b>Regeneration and Growth</b>				
Capital Projects (contract audits)	30	13	WIP	
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	WIP	
Facilities Management	10	1	WIP	
Council Tax	10	7	WIP	
Local Council Support Scheme (formerly Council Tax Benefit)	10	6	WIP	
National Non Domestic Rates (NNDR)	10	6	WIP	
Local Welfare Assistance Scheme	10	8	WIP	
Discretionary Housing Payments	10	2	WIP	
Concessionary Fares	10	3	WIP	
Blue Badges	10	3	WIP	
<b>R&amp;G Total</b>	<b>140</b>	<b>61</b>		
<b>BHP</b>				
Former Tenants Arrears	15	15	Final Report	Limited
Procurement	20		Q3	
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	5	WIP	
Governance & Risk Management	15		Q3/4	
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	7		
<b>BHP Total</b>	<b>150</b>	<b>52</b>		
<b>OTHER</b>				
Risk Management	15	7		

Governance & Audit Planning	10		
Consultation, Communication and Reporting (Mazars)	55	32	
Follow-Up	45	26	
Contingency	12	4	
<b>OTHER Total</b>	<b>137</b>	<b>69</b>	
<b>Total</b>	<b>1200</b>	<b>560</b>	

**Table 1 – Planned Projects and Progress as at 31/10/14**

3.4. A summary of delivery is shown below

Delivery Status	
Total days in the plan	1200
Number of days delivered to date	560
% of days delivered to date	47%
Days to be delivered	640
Total number of projects (excluding follow up reports and Committee reports)	80
Number of reports / certifications issued to date	29
% of draft and final reports issued to date	36%
Number of final reports issued	17
% of draft reports finalised	59%

**Table 2 – Delivery Status as at 19/09/14**

3.5. At the previous committee meeting, members requested that they review, in more detail the IT contracts audit. A copy of the full audit report has 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 January 2015. Although still at draft stage, both the Direct Payment audit and No Recourse to Public Funds (adolescents) currently have a limited assurance rating.

## Internal Fraud

- 3.6. 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:

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

**Table 3 – Internal Fraud 2014/15**

- 3.7. 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.

Outcome	Number of Cases	Average weeks	Within 3 months	3 to 6 months	Longer than 6 months
Closed NFA	19	13.6	11	5	3
Closed Disciplinary Action Recommended	8	10.9	5	3	0
Open Cases	20	15.1	10	7	3

**Table 4 – Turnaround times internal cases**



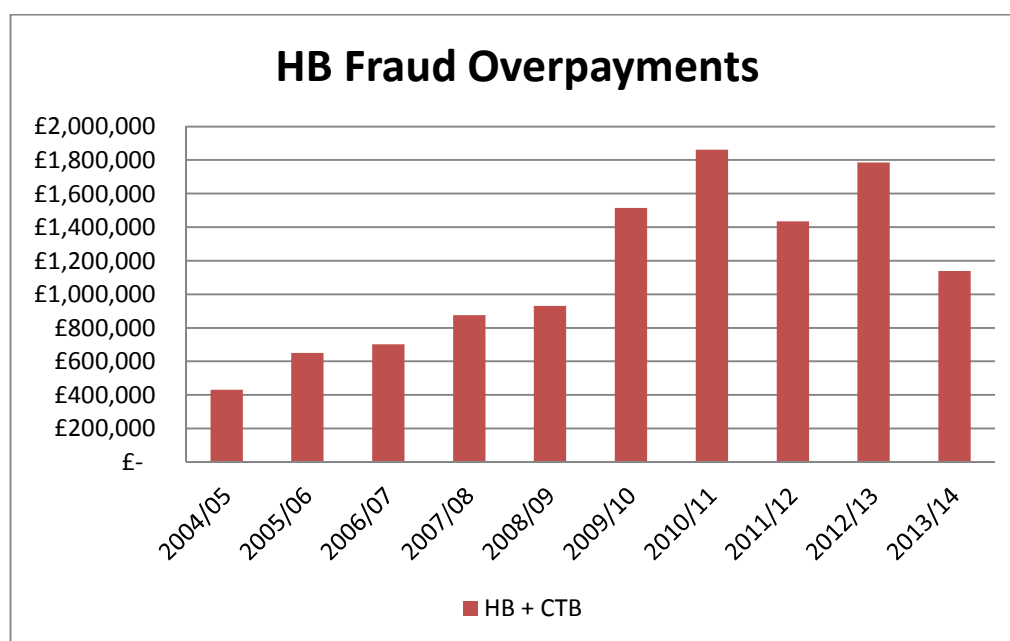
## Housing Benefit Fraud

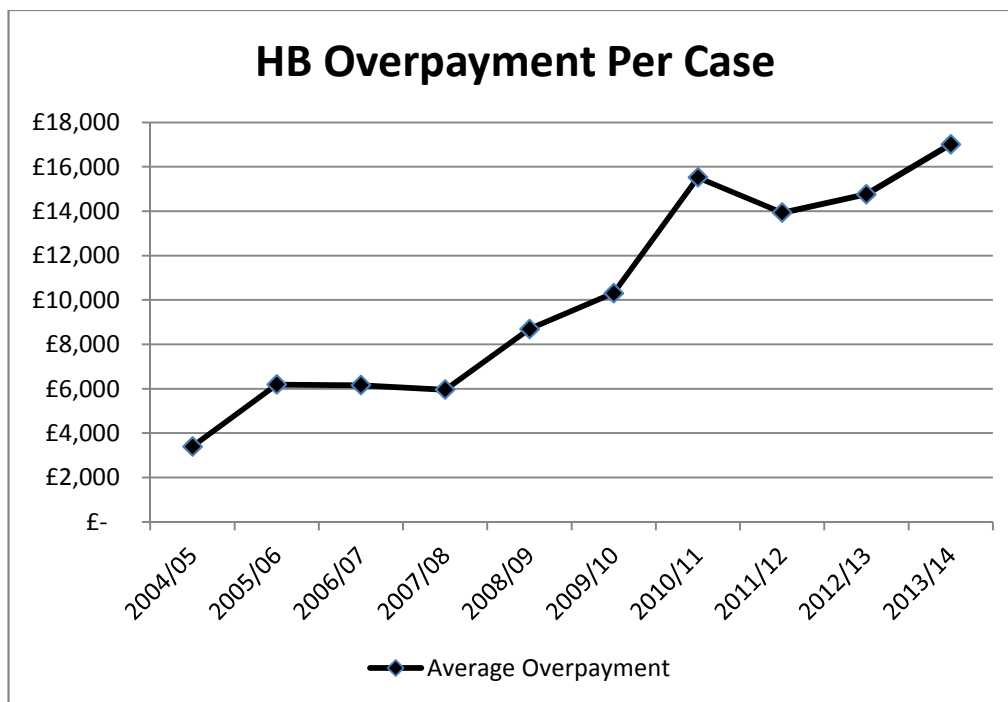
- 3.8. Responsibility for the investigation of Housing Benefit fraud transferred from the council to the DWP on 1<sup>st</sup> October 2014. Four staff were transferred with the function together with all outstanding cases, which are now recorded as closed. A&I no longer accept HB fraud referrals, all of these are now routed through to the DWP. Caseload information is set out in table 5 below.

HB Fraud	As at 31/10/2014	2013/14
New Referrals	321	596
Closed Cases	767	109
Fraud Found	40	67
Admin Penalty	7	20
Prosecution	15	26
Total Sanctions	22	46
Summons Only	3	3
Overpayment Only	25	18
<b>Value of HB/CTB/CTRS Fraud</b>	<b>£898,000</b>	£1,140,000
Average HB/CTB/CTRS Overpayment per fraud	£22,450	£17,000

**Table 5 – HB / CTB Fraud 2014/2015**

- 3.9. This will be the final report on HB fraud performance as part of the progress reports to committee. It is, however, worth recording the council's success in this area over many years and the significant amount of fraud identified, as illustrated in the graphs below.





**The value of HB/CTB overpayment identified over the past 10 years = £12.225m**

### Housing Tenancy Fraud

3.10. 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 26 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 31/10/14	2013/14
New Referrals	201	216
Closed Cases	139	222
Fraud Found	31	49
Recovered Properties	26	46
Applications Refused	3	0
Property Size Reduced (Rehousing)	2	3
<b>Value of properties recovered*</b>	<b>£468,000</b>	<b>£828,000</b>
Open Cases Under Investigation	164	

***Table 6 – Housing Fraud 2014/15***

3.11. 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

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

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

***Table 7 – Other External Fraud 2014/15***

- 3.13. There are significant savings arising from A&I activity in this area including the prevention of a mandate fraud, where a third party attempted to obtain funds due for a genuine supplier to the value of £410,000. Detailed savings figures are shown below:

<b>Closed Cases Fraud/Irregularity</b>	<b>Number</b>	<b>Value</b>
Mandate fraud	1	£410,000
Council tax discounts (Exc. Proactive)	5	£30,300
Business Rates	1	£43,300
Insurance Fraud	1	£13,000
Nursery Grant	1	£27,000
Social Services Payments	3	£9,200
Blue Badge	1	n/a
<b>Total</b>	<b>13</b>	<b>£532,800</b>

***Table 8 – Other External Fraud Cases 2014/15***

- 3.14. With the exception of the nursery grant case this represents direct additional income or losses prevented to the council.
- 3.15. In addition to the above savings A&I have been undertaking a proactive exercise in relation to single person discount claims which has, to date, identified additional income of £165,000.

3.16. Single Fraud Investigation Service

**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.
- 4.2. Funding for Housing Benefit Fraud is provided to the council via the main HB administration grant. Grant is not affected for 2014/15. The DWP have indicated that they intend to reduce the council's administration grant by £220,000 in 2015/16 and by £290,000 in 2016/17 to fund the Single Fraud Investigation Service.

**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, Civic Centre.  
Telephone – 020 8937 1260

**Conrad Hall  
Chief Finance Officer**



**Internal Audit  
2<sup>nd</sup> Progress 2014/15  
London Borough of Brent  
November 2014**

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## Executive Summary

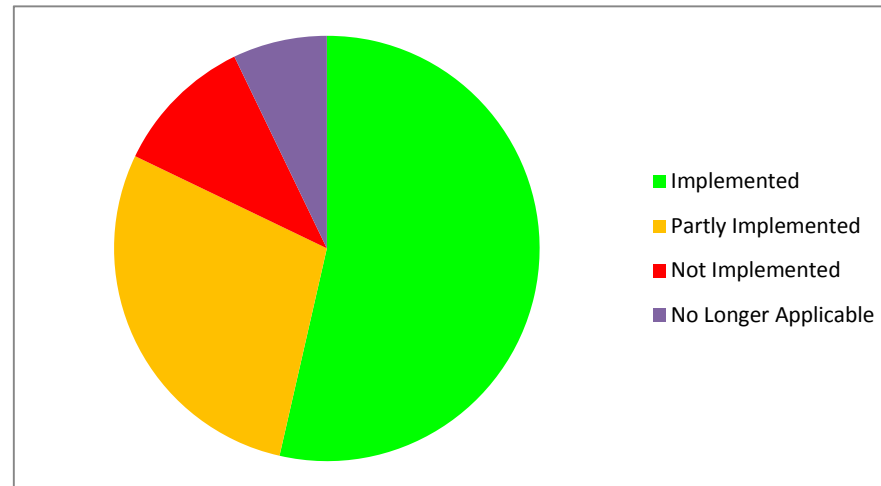
<b>Introduction</b>	<p>This report sets out a summary of the work completed against the 2014/15 Internal Audit Plans, including the assurance opinions awarded and any high priority recommendations raised.</p> <p>Those audits reported on at previous meetings have been removed, but reference can be made to the full list of assurance opinions in the cover report.</p>
<b>Summary of Work Undertaken</b>	<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"><li>• Barham School</li><li>• Kilburn Park School</li><li>• St Margaret Clitherow School</li><li>• Anson School</li><li>• Park Lane School</li><li>• Preston Park School</li><li>• Authorisation of Payments to GPs and Pharmacies for Health Checks and Sexual Health</li><li>• START Plus (Supporting People)</li><li>• Treasury Management</li><li>• Management of Street Trees</li><li>• Garages (BHP)</li><li>• Former Tenant Arrears (BHP)</li></ul>

**Follow-Up of  
Previously Raised  
Recommendations**

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

The current level of implementation is as per the chart on the following page. Of the recommendations followed-up, 89% had either been fully or partly implemented, or are no longer applicable due to changes in the scope of operations. Of the priority 1 recommendations, 75% had either been fully or partly implemented.

Implementation of Recommendations









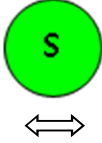
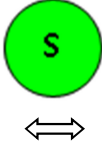
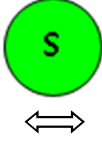


## Detailed summary of work undertaken

### 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
<b>General and Computer Audits</b>	
START Plus (Supporting People)	
Treasury Management	
Management of Street Trees	
<b>Schools</b>	
Barham School	
Kilburn Park School	
St Margaret Clitherow School	

Audit	Assurance Opinion and Direction of Travel
Anson School	
Park Lane School	
Preston Park School	

## Non Assurance Work

<b>Authorisation of Payments to GPs and Pharmacies for Health Checks and Sexual Health</b>	
<b>Objective and Scope</b>	<p>The focus of this work was to assess the concern raised by management regarding the excessive number of payment approval requests being routed to the Director of Public Health and to determine whether the process could be streamlined whilst also ensuring that robust controls are maintained.</p> <p>We have not provided an assurance opinion as our focus was as stated above and we did not assess the other elements feeding through to the overall payment process such as setting up of suppliers and claim validations.</p>
<b>Summary and Conclusion</b>	<p>In order to assess the operational requirements and determine possible resolutions, a meeting was held with the Finance Analysts and Trainee Accountants. In this meeting, it was explained that following the OneOracle go live, the payment approval process for non PO payments has changed and Oracle no longer sends out a payment authorisation request for payments that are uploaded via a spreadsheet. A spreadsheet of payments is now required to be supported with evidence of payment approval such as e-mail approval and Oracle Helpdesk will not process spreadsheets unless it is supported with a written approval from the relevant authoriser.</p> <p>As a result, the Director of Public Health now receives an e-mail with a list of proposed payments across multiple suppliers for each type of service such as for sexual health screening, Intrauterine Contraceptive Device (IUCD), or health checks and she is required to respond to this to either approve or reject the proposed payments. This is now expected to reduce the level of payment approval requests received by the Director of Public Health.</p> <p>It should be noted that a possibility of following the PO payment process was discussed and the officers indicated that this would not be practical for the following reasons:</p> <ul style="list-style-type: none"> <li>• The providers do not issue invoices as they are paid on claims on the number of checks completed/service provided; and</li> <li>• It is not possible to accurately estimate the annual value due to the nature of the services provided by the suppliers and could result in multiple PO amendments or over commitment in order to avoid amendments.</li> </ul> <p>Not raising purchase orders could have an impact on the Council's forecasting. However, this is compensated by monthly forecasts being completed as part of the budget monitoring process.</p>

	For a sample of two payment spreadsheets containing multiple payments (6 and 36 payments), we were able to confirm that an e-mail approval by the Director of Health was attached to each of the two spreadsheet and we also obtained a confirmation from Oracle Helpdesk that uploaded payments (via spreadsheet) no longer trigger a payment approval workflow and they are paid without any further approval on Oracle.
<b>Recommendations</b>	No recommendations were raised as a result of this work.

<b>Troubled Families Grant</b>	<p>Certification of 3 Grant Claims as follows:</p> <ul style="list-style-type: none"> <li>• 3 Payment by Results Claim</li> </ul> <p>This is a grant which the Head of the Audit &amp; Investigations Team is required to certify the grant claims. This funding is for the DCLG's Troubled Families programme which is aimed at reducing the cost of problem families. The government is providing funding to cover up to 40% of the cost of interventions for these families. This will be paid primarily on a payment by results basis. The DCLG will make available up to £4,000 for each troubled family that is eligible for the payment-by-results scheme. A proportion of this is paid upfront as an "attachment fee" for the number of families that the local authority starts working with, and the rest will be paid following positive outcomes with these families. Summary</p>
<b>Recommendations</b>	8 Priority 1 recommendations were raised as a result of this work. The service area are currently reviewing these and the details will be available at the next committee meeting.

## Follow-Up of Previously Raised Recommendations

The table below provides a summary of the findings from the follow-up work completed since the last meeting, excluding any BHP recommendations.

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

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

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

Audit Title	Priority 1			Priority 2			Priority 3			Total				Priority 1 Recommendations not implemented
	I	PI	NI	I	PI	NI	I	PI	NI	I	PI	NI	N/A	
PC and Laptop	0	0	0	2	0	0	0	0	0	2	0	0	0	
Treasury Management	0	1	0	0	1	0	1	0	0	1	2	0	0	
Remote Working (Draft)	0	0	0	0	0	0	1	0	0	1	0	0	0	
Insurance (Draft)	2	5	2	4	0	0	1	0	0	7	5	2	1	Reinstatement valuations on existing properties* Verification Policy**
Carers (Draft)	0	1	1	4	0	0	0	0	0	4	1	1	1	Appointment of Personal Adviser***
<b>Total</b>	<b>2</b>	<b>7</b>	<b>3</b>	<b>10</b>	<b>1</b>	<b>0</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>15</b>	<b>8</b>	<b>3</b>	<b>2</b>	

\*the issue has been flagged with the Head of Assets and Valuation and further management response to be provided.





\*\* A verification process has been put in place by the Insurance team whereby any claims over £10k in damages, involve staff, have police involvement or deemed unusual or suspicious by Insurance staff are to be forwarded to the Audit and Investigation. However this has yet to be formalised and a verification policy still needs to be developed (subject to the Head of Audit and Investigation input).

\*\*\* The Council has a legal requirement to abide by the Children Leaving Care Act 2010 and to therefore appoint a Personal Advisor to care leavers. In Brent, the role of the Personal Advisor is currently fulfilled by Social Workers as opposed to an independent Personal Advisor. The Head of Care Planning stated that they are aware of the independence issue the current arrangement creates and whilst they are currently in the process of reviewing the staffing structure, they feel they do not have adequate resources to appoint Personal Advisors instead of Social Care Workers.

## Appendix A – Definitions

### Audit Opinions




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

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

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

### Direction of Travel

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

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

## Recommendation Priorities

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


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

## Appendix B – Audit Team and Contact Details

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

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



 <p><b>Brent</b></p>	<p><b>Audit Committee</b> 24 November 2014</p> <p><b>Report from the Chief Finance Officer</b></p>
For Information	Wards Affected: ALL
<p><b>National Fraud Initiative – Outcomes and Information for Elected Members and Decision Makers 2012/13</b></p>	

## 1. Summary

- 1.1. This report provides an analysis of the Audit Commission publication, “National Fraud Initiative - Outcomes and Information for Elected Members and Decision Makers 2012/13”<sup>1</sup>. This shows a comparison of results between the council and the CIPFA nearest neighbour councils.

## 2. Recommendations

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

## 3. Detail

- 3.1. Since 1996 the Audit Commission has used its statutory powers to obtain data from local authorities and, more recently, other public and some private sector organisations. It has matched data within and between organisations in order to identify potential fraud. The exercise is run every two years and, since inception, has grown in size in terms of the data sets obtained and the organisations who take part.
- 3.2. The origins of this exercise began in 1994 with a London pilot, sponsored by the Society of London Treasurers, which matched housing benefit (HB) to student award data to identify students who were fraudulently claiming HB. The exercise identified £300,000 of fraud across London and provided proof of concept for a national data matching exercise.
- 3.3. The last main matching exercise was undertaken in October 2012 with most results being received in February 2013. The council tax match to electoral roll was undertaken in December 2013 and results issued in February 2014.
- 3.4. The Audit Committee received an update on the National Fraud Initiative at its meeting on 26th June 2014<sup>2</sup> following the publication of the Audit Commission’s, “National Fraud Initiative: National Report June 2014”<sup>3</sup> (<http://www.audit-commission.gov.uk/wp-content/uploads/2008/05/NFI-national-report-FINAL-11-June-2014.pdf>). This provided an overview of the results nationally. The commission have now produced an information

pack for members. This compares the council's results with those of the CIPFA nearest neighbour group of councils, see appendix 1.

- 3.5. The data is taken directly from the web based NFI system which allows councils to record results against each match. Therefore, the reported results are dependent upon individual councils entering data accurately onto the on-line system.
- 3.6. In broad terms the document shows that the council has processed far fewer matches than its nearest neighbours, the average being 19% or 3824 cases with the council "progressing or processing" 3% or 490 cases (see page 7 of appendix 1). The council recorded outcomes (identified fraud or overpayment) of just under £300,000 which was average for the group although the amount recovered (excluding council tax) was much lower than the average. The amount of additional council tax debt raised was higher than average although much lower than the highest recording council. The following paragraphs set out the council's approach to the NFI and potential explanations for the comparative performance figures.
- 3.7. As with any analysis at a point in time, the results can be skewed by lack of attention to specific fraud risks or under/over achievement in previous years. By way of example, the 2008/09 NFI exercise resulted in some £800,000 of additional debit being added to the council tax for Brent in 2009/10 and this may explain the lower results two years later. It is possible that the authority identifying in excess of £500,000 for the 2012 exercise had not dealt with the earlier match effectively. It is also the case that all matches in 2010/11 were passed to Capita to deal with as a mail shot exercise and results were only recorded where feedback from Capita was received.
- 3.8. In the first tranche of matches (excluding SPD) the council received some 16,000 matches across 10 areas and some 100 different reports. Of these, the Audit Commission identified 5,000 recommended matches (indicates a level of confidence in the match, higher than other matches as set out below):

<b>Match</b>	<b>Number of Matches</b>	<b>Recommended</b>
Housing Benefit to various	7,745	1,627
Payroll and Pensions to various	465	148
Housing Rent to various	410	104
Blue Badge / Travel Concessions to deceased	2,129	2,092
Residential Care to Deceased	46	5
Residential parking permits to deceased	445	437
Insurance Claimants to various	123	22
Other	6	6
Duplicate creditors, duplicate records and VAT overpaid	4,729	542
<b>Total</b>	<b>16,098</b>	<b>4,983</b>

- 3.9. The council received a further 2,400 matches in relation to single person discount claims with others registered at a property for electoral roll purposes. These were passed to Capita to deal with and results were recorded when reported back through the Revenues Client Team. The total increase in debit for this match was £385,000 as opposed to the £130,000 shown in the report. The difference is due to the data not being captured on the on-line system.
- 3.10. The NFI has been running for many years and the approach taken within A&I has been to

focus upon those matches which yield the best results. Given the level of resources within the team and the reactive workload (outside of NFI), it is not feasible to investigate all 5,000 recommended matches. A number of matches are passed to other teams for verification including Blue Badge to deceased records and residential care to deceased.

- 3.11. After filtering the various reports, the Audit and Investigations Unit checked just over 570 matches. Of these 14 resulted in an outcome, including one dismissal and 2 warnings for staff. There are 20 cases still in progress.
- 3.12. The results reported within the Audit Commission figures are slightly understated due to either non-recording or timing issues. Total outcomes recorded to date are £349,000 as set out below:

<b>Data Match</b>	<b>Number cases</b>	<b>Value of overpayment</b>
Pension payments continuing after death	6	£8,000
Staff working with no right to work	5	*£236,000
Payments to care homes continuing after death	3	£26,000
Duplicate Creditor Payments	1	£12,000
Housing Benefit	3	£67,000
<b>Total</b>	<b>14</b>	<b>£349,000</b>

*(\*The Audit Commission value the overpayment as the total salary earned by the employee with no right to work)*

- 3.13. Within the attached document, the Audit Commission pose a number of questions for members to consider. These are set out below for ease of reference. Officer comments are set out against each question and members are invited to consider these further at the meeting.
- 3.14. Q. What governance arrangements do we have in place to ensure the organisation achieves the best possible outcomes from the NFI?  
*The Audit Committee receives updates on progress against the NFI. The Head of Audit and Investigation oversees delivery of the NFI. Head of A&I and senior staff within the A&I team consider how best to prioritise matches having regard to the resources available with the broad policy established by the Council's Anti-Fraud and Bribery Policy.*
- 3.15. Q. Are we ensuring we maximise the benefits of the NFI for example, following up data matches promptly, recovering funds and prosecuting where possible?  
*The council is achieving a relatively high level of return whilst undertaking fewer investigations than other councils in the comparator group. Prosecutions take a number of years from inception to conclusion and would not necessarily feature, as yet, in results. The majority of "fraud" identified by value relates to illegal working where there is no opportunity to recover funds. The team and other parts of the council could always do more but are constrained by resources.*
- 3.16. Q. What assurances have we drawn about the effectiveness of internal controls and the risks faced by our council?  
*Given the relatively low numbers of cases identified, the output does not indicate a*

*systemic control problem. Where values are high, for example in illegal working, the council has already taken significant measures to address the issue through proactive exercises on a service by service basis and HR have recently reviewed all staff identification and right to work.*

- 3.17. Q. Are we taking advantage of the opportunity to suggest and participate in the NFI pilot exercises and using the NFI Flexible Data Matching Service?

*The council has been proactive in suggesting additional matches to the NFI, such as payroll against SPD match to identify employees who were not paying council tax.*

- 3.18. Q. How does the NFI influence the focus of our counter-fraud work for example, internal audit risk assessments, data quality improvement work or anti-fraud and corruption policy?

*The NFI is one of many referral streams utilised by A&I which highlight areas of risk.*

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

- 4.1. None

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

- 5.1. None

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

- 6.1. None

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

1. Audit Commission – National Fraud Initiative Information for Elected Members and Decision Makers 2012/13
2. Report from the Chief Finance Officer - Final Internal Audit Progress Report 2013/14, Audit Committee 26/6/14
3. Audit Commission – National Fraud Initiative: National Report June 2014

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

Simon Lane, Head of Audit & Investigation, First Floor West, Brent Civic Centre, Engineers Way, Wembley.  
Telephone – 020 8937 1260

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

# National Fraud Initiative

Outcomes and Information for Elected Members and Decision Makers - 2012/13

London Borough of Brent



# Introduction to the slide pack



This slide pack is intended for use by elected members and senior decision makers to inform you about the National Fraud Initiative (NFI) and data matching at your organisation



We have included a summary of the key findings of the latest NFI national report and a summary of key points from the NFI checklist for decision makers and elected members which can be found in full on the [NFI website](#)

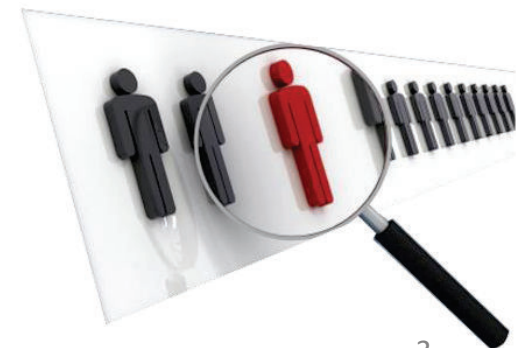
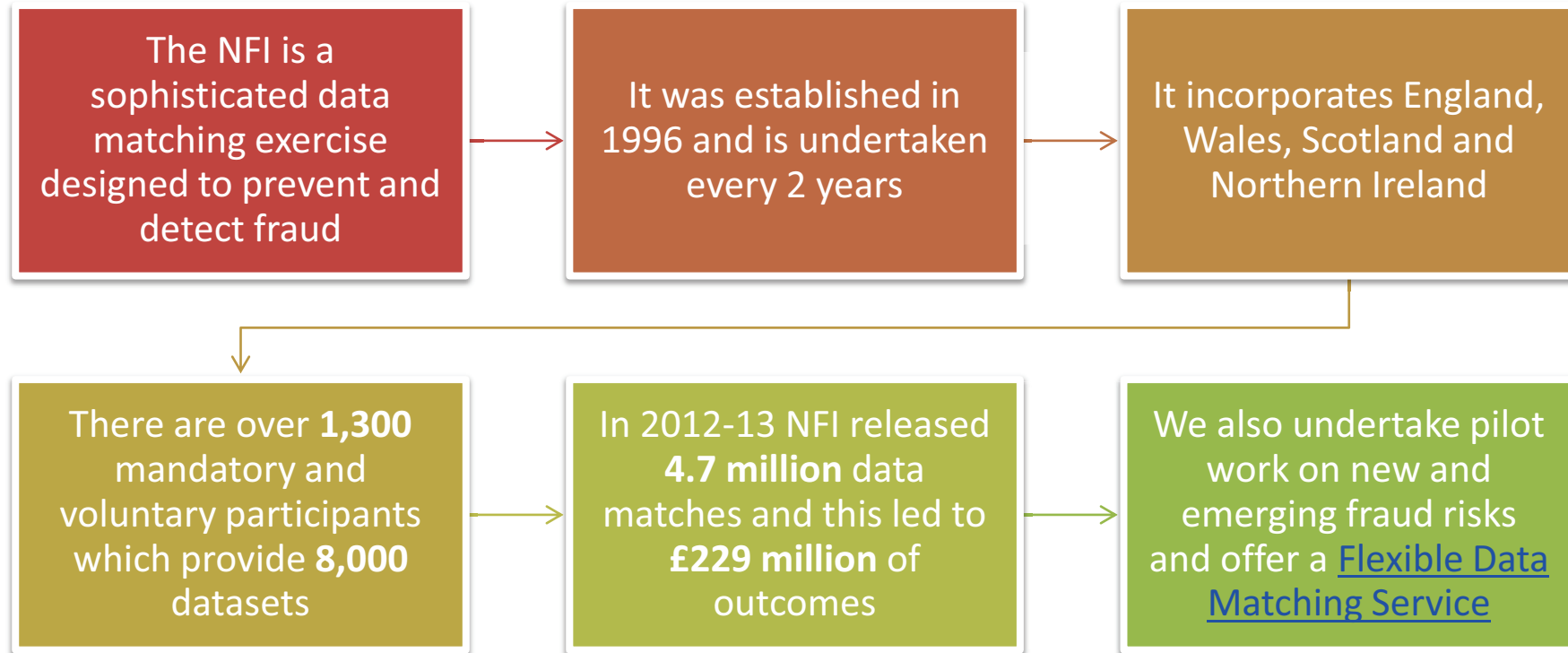


We have also included key NFI activity data for 2012/13 alongside tailored charts so you can compare your organisation with your neighbouring councils with similar profiles to yours



In case you have any questions we have included a glossary and link to further information at the end of the slide pack. If you require further information please contact [nfiqueries@audit-commission.gsi.gov.uk](mailto:nfiqueries@audit-commission.gsi.gov.uk)

# Background to the NFI



# The NFI National Report

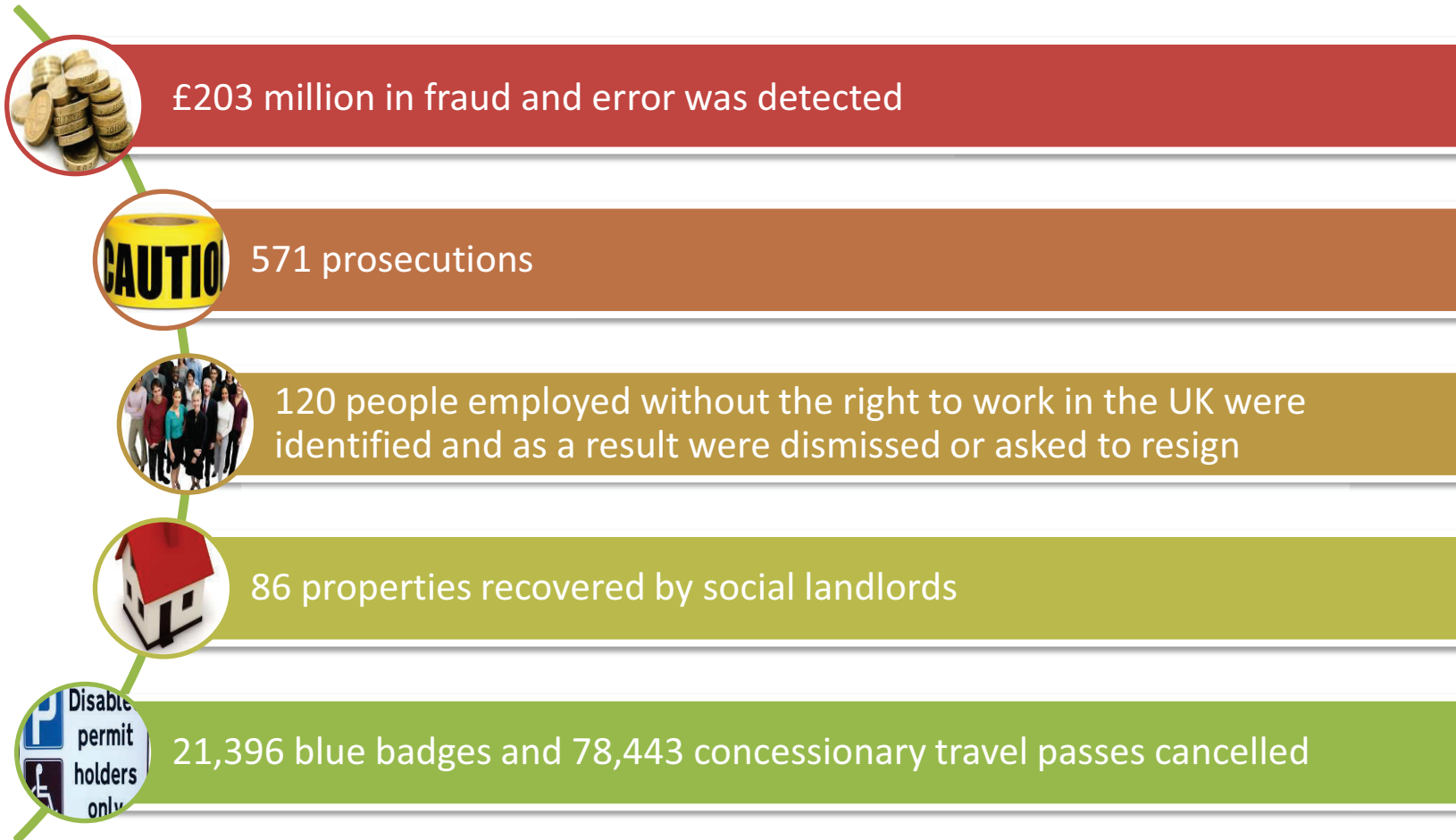
Key outcomes and recommendations for bodies participating in the NFI are reported every two years in the NFI National Report

The report is intended for council members, non-executives and senior officers at audited bodies and was most recently published in June 2014

The report helps to demonstrate the effectiveness of the NFI in preventing and detecting fraud



# Key Outcomes of the 2012/13 exercise - across England



The figures in the national report for detection of fraud, overpayment and error include outcomes already delivered and estimates. Estimates are included where it is reasonable to assume that the fraud, overpayment and error would have continued undetected without the NFI data matching. A more detailed explanation is included in [Appendix 1 of the NFI national report](#). If you have any further queries about the data in the slides please contact the NFI team using the contact details at the end of this slide pack.

# Data matching at your organisation



The table and bar charts have been provided to give you an overview of the data matching activities at your council in relation to the most relevant comparator councils.



The table highlights the proportion of data matches followed up by your council. Participants of NFI receive a report of data matches that they should follow-up, and investigate where appropriate, to detect instances of fraud, over- or under-payments and other errors, to take remedial action and update their records accordingly.



Even where data matching shows little or no fraud and error, this still assures bodies about their control arrangements. It also strengthens the evidence for a council's annual governance statement.

# Activity and Engagement with NFI – Brent London Borough Council

	Total NFI matches in progress or processed	NFI recommended matches in progress or processed
Brent London Borough Council	3% (490)	5% (231)
CIPFA nearest neighbours (Mean)	19% (3,824)	31% (1,399)
London Borough Councils (Mean)	21% (3,505)	32% (1,260)

The CIPFA nearest neighbours are the 15 councils which have been modelled as those with the most similar profile by CIPFA. More detail of the 2009 modelling methodology can be found at [http://www.cipfastats.net/default\\_view.asp?content\\_ref=2748](http://www.cipfastats.net/default_view.asp?content_ref=2748)

# Understanding the bar charts

Outcomes relating to your council are highlighted in yellow in the bar charts. The performance of your 15 CIPFA nearest neighbours are shown in the green bars.



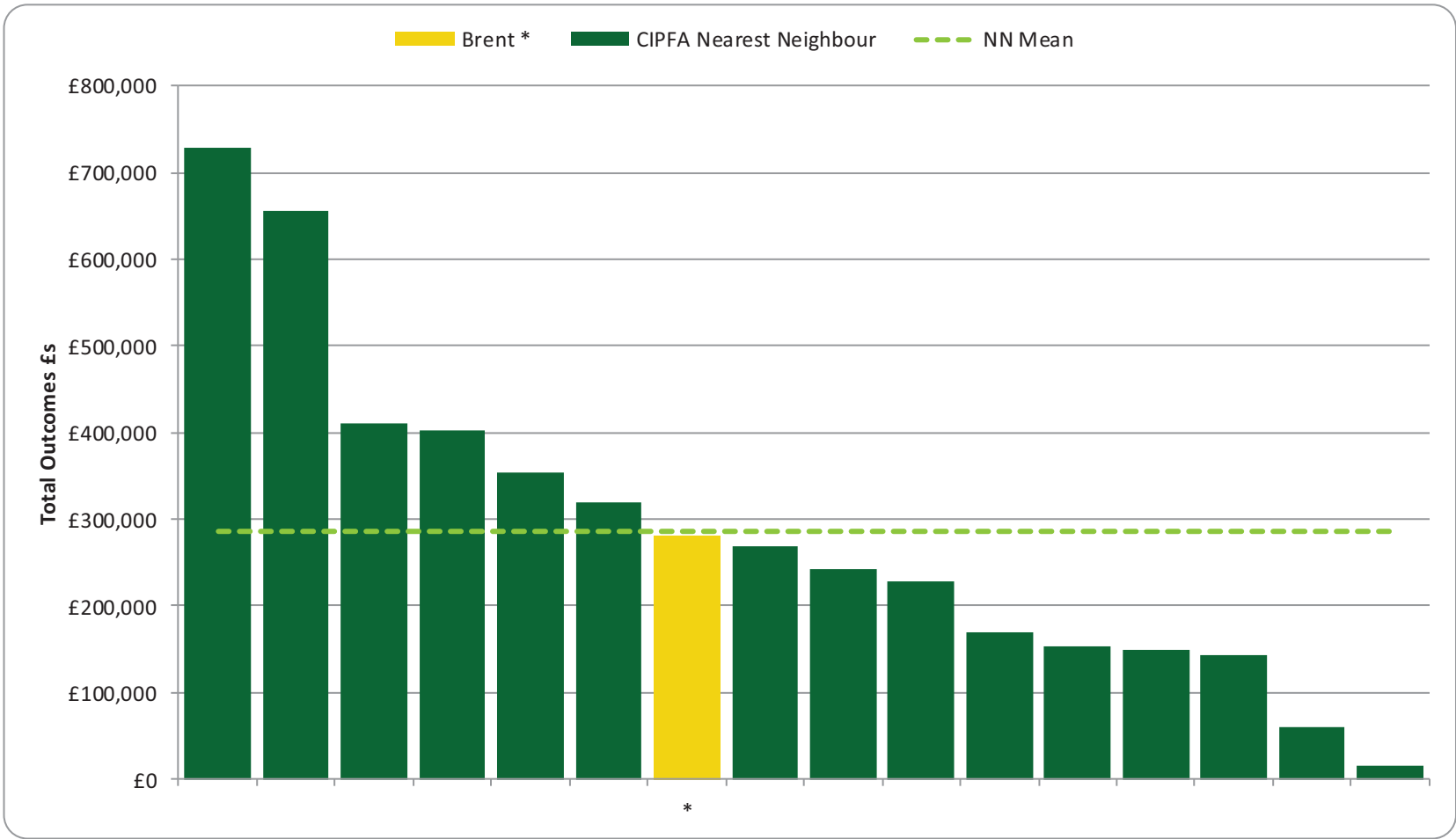
The mean value for your CIPFA nearest neighbours is highlighted by a green dashed line.



A '\*' symbol has been used to denote where your council has no outcomes recorded.

# Total NFI Outcomes – Brent London Borough Council

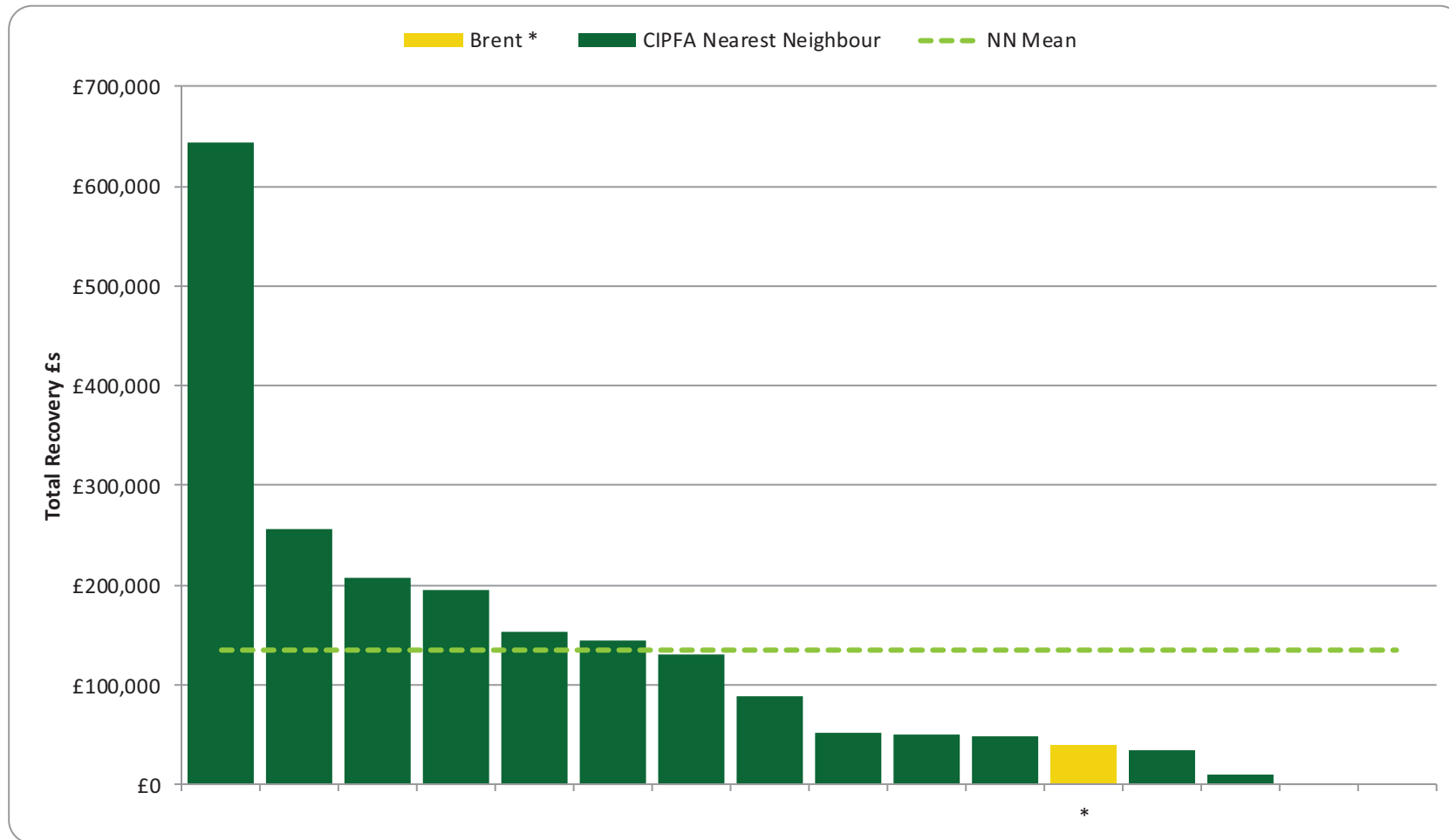
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Please note outcomes from the NFI housing waiting lists pilot and council tax outcomes recorded in the NFI 2010/11 web application and FMS web application have not been included in this analysis.

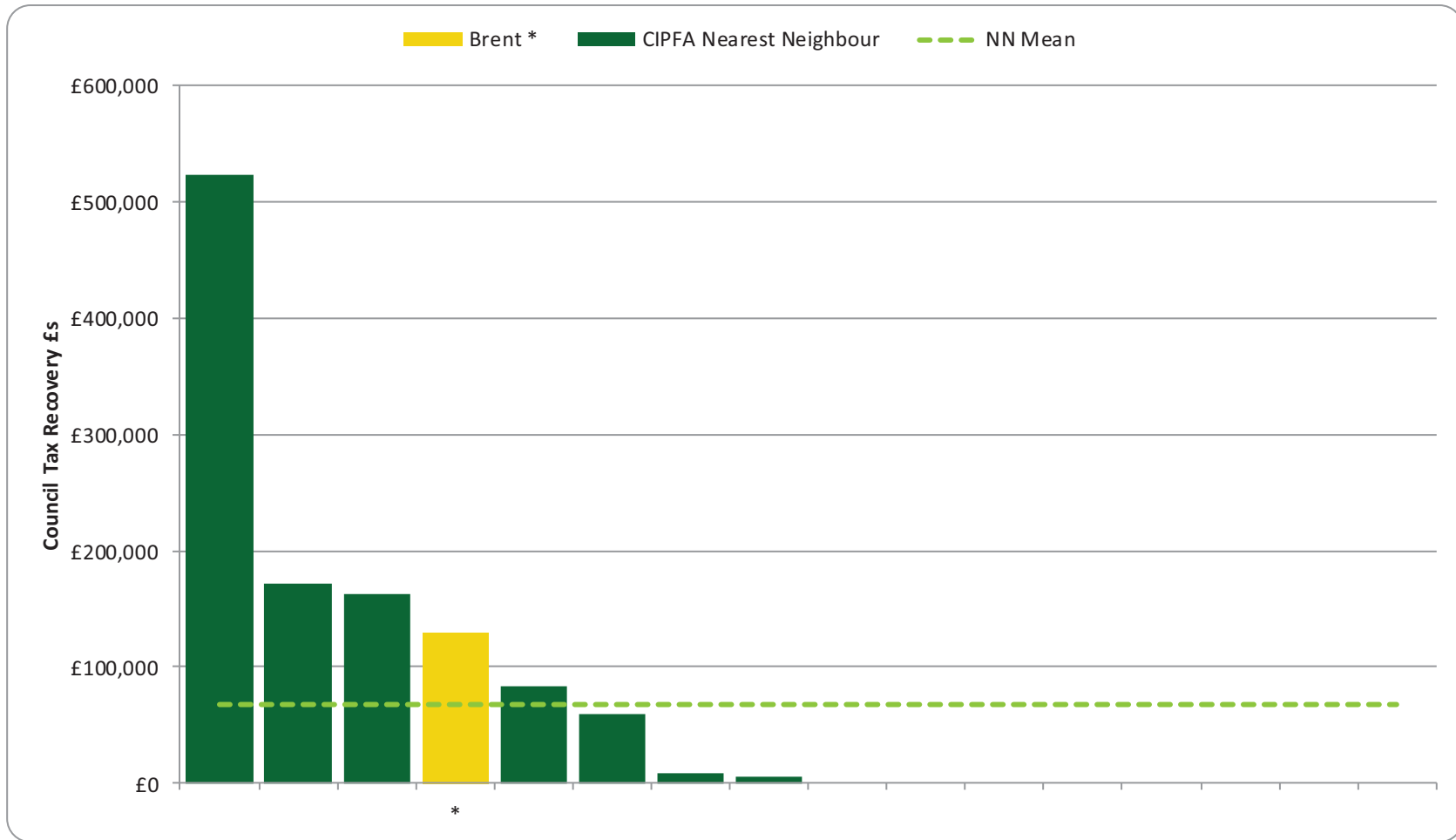
# Total NFI Recovery – Brent London Borough Council

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Please note this excludes council tax recovery recorded in the 2010/11 web application and FMS web application.

# NFI Council Tax Outcomes – Brent London Borough Council



Data relates to outcomes recorded in the 2010/11 web application and FMS web application.

# Questions for Elected Members and Decision Makers

## The NFI in our council

- What governance arrangements do we have in place to ensure the organisation achieves the best possible outcomes from the NFI?

## Maximising results

- Are we ensuring we maximise the benefits of the NFI for example, following up data matches promptly, recovering funds and prosecuting where possible?
- What assurances have we drawn about the effectiveness of internal controls and the risks faced by our council?

## Broadening our council's engagement with the NFI

- Are we taking advantage of the opportunity to suggest and participate in the NFI pilot exercises and using the NFI Flexible Data Matching Service?

## The NFI fit with wider counter-fraud policies

- How does the NFI influence the focus of our counter-fraud work for example, internal audit risk assessments, data quality improvement work or anti-fraud and corruption policy?



# Glossary

<b>Council tax outcomes</b>	Council tax data is matched to electoral register data in order to identify instances where single persons discount may have been incorrectly awarded.
<b>Flexible matching service</b>	The flexible matching service allows you to re-perform any of the existing NFI data matching on demand outside of the usual two yearly programme but still using the proven NFI technology.
<b>Mandatory participants</b>	Bodies to which the Audit Commission appoints auditors other than registered social landlords as specified in Schedule 2 of the Audit Commission Act 1998.
<b>NFI web application</b>	The Commission has set up a secure, password-protected and encrypted website for its data matching exercises, known as the NFI web application.
<b>Outcomes</b>	Investigation of an NFI match may lead to a benefit being cancelled, overpayment generated or blue badges or concessionary travel passes being identified as invalid. These examples would be reported as NFI outcomes.
<b>Pilots</b>	The Commission will undertake new areas of data matching on a pilot basis to test their effectiveness in preventing or detecting fraud. Only where pilots achieve matches that demonstrate a significant level of potential fraud should they be extended nationally.
<b>Recommended data matches</b>	Matches considered to be of higher risk of potential fraud are signposted as a recommended data match.
<b>Recovery</b>	Where bodies seek to recover money lost as a result of fraud, error or overpayment.
<b>Voluntary participants</b>	Bodies that are outside Schedule 2 of the Audit Commission Act 1998 but elect to participate in NFI voluntarily.

If you have any further questions about the content of these slides please contact us using the details on the next slide.

# Further Information

For further information about the NFI please look at our website

[NFI Website](#)



For further information about our Flexible Data Matching Service please follow the link below

[FMS Information](#)



For checklist questions for elected members and decision makers please follow link below

[NFI Checklist](#)



For any other queries please telephone 0303 444 8322 or email

[nfiqueries@audit-commission.gsi.gov.uk](mailto:nfiqueries@audit-commission.gsi.gov.uk)

