



Audit Committee

Wednesday 23 March 2016 at 7.00 pm

Boardrooms 3/4 - Brent Civic Centre, Engineers Way,
Wembley HA9 0FJ

Membership:

Members

Mr Ewart (Chair)

Councillors:

A Choudry (Vice-Chair)

Davidson

Khan

Naheerathan

Nerva

Substitute Members

Councillors:

Hylton, Mahmood, McLeish and Thomas

Councillors:

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

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

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 - 10
4 Matters arising	
5 External audit plan 2015/16	11 - 26
This report from KPMG, the Council's external auditors, sets out the audit plan 2015/16.	
6 KPMG Annual Report on grants and returns work 2014/15	27 - 42
This report from KPMG (external auditors) summarises the results of work carried out KPMG on the Council's 2014/15 grant claims and returns and includes the work completed under the Public Sector Audit Appointment certification arrangements, as well as the work KPMG had completed on other returns under separate engagement terms.	
7 Action plan to address the Audit findings from 2013/14 subsidy claim	43 - 54
This report from the Director of Customer Services sets out the action plan and audit responses to address the Audit findings from the 2013/14 subsidy claim.	

Ward affected: All Wards
Contact Officer: Margaret Read, Director,
Customer Services
Tel: 020 8937 1521 margaret.read@brent.gov.uk

8 Changes to arrangements for appointment of External Auditors 55 - 62

This report summarises the changes to the arrangements for appointing External Auditors following the closure of the Audit Commission and the end of the transitional arrangements at the conclusion of the 2017/18 audits

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

9 Internal Audit and Counter Fraud Progress Report for the period 1 November 2015 – 29 February 2016 63 - 92

This report provides an update on the progress made against the delivery of the audit plan up to the 29 February 2016. The report further provides the Audit Committee with any key findings and agreed management comments to address areas of control weaknesses. The report also provides a summary of counter fraud work for the first three quarters of 2015/16 including January 2016.

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

10 Draft Internal Audit Plan 2016/17 93 - 100

This report sets out the Draft Internal Audit Plan ("the Plan") for 2016/17 and the basis on which the plan has been formulated.

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

11 Strategic risk register 101 - 108

In accordance with the terms of reference for the Audit Committee to

review the adequacy and effectiveness of the risk management framework within the Council. This is a periodic report to update the committee on the strategic risks facing the council.

Ward affected:

All Wards

Contact Officer: Conrad Hall, Chief Finance Officer

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

12 Internal audit procurement update (verbal)

13 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.

14 Date of next meeting

The next scheduled meeting of the Audit Committee will be confirmed at the Annual Council meeting in May 2016.



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 Tuesday 5 January 2016 at 7.00 pm

PRESENT: Councillor Mr Ewart (Chair), Councillor Khan (Vice Chair) and Councillors Davidson, Khan, Naheerathan and Nerva.

Also present: Councillor Perrin.

Apologies for absence were received from Councillor A Choudry.

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

David Ewart (Independent Chair) declared that until May 2013 he was a Finance Director with Ealing Council, and currently do use the Joint Audit Service to provide internal audit in his role as Treasurer of the Mortlake Crematorium Board.

2. **Deputations**

None.

3. **Minutes of the previous meeting**

RESOLVED:-

that the minutes of the previous meeting held on 18 November 2015 be approved as an accurate record of the meeting.

4. **Matters arising**

None.

5. **Annual Audit Letter 2014-15 - LB Brent**

The Committee received a report, Annual Audit Letter, which summarised the key findings of the external auditors, KPMG's 2014/15 audit of the Authority's financial statements and Value for Money (VFM) conclusion. Representatives of KPMG, Phil Johnstone (Director) and Steve Lucas (Audit Manager) attended the meeting to present the report and answer queries.

Phil Johnstone informed members that KPMG were satisfied that the Authority had proper arrangements for securing financial resilience and for challenging how it secured economy, efficiency and effectiveness. KPMG issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM). He continued that KPMG was of the view that the financial statements gave a true and

fair view of the Authority as at 31 March 2015 and therefore issued an unqualified opinion on the financial statements including those of the pension fund.

The audit identified four significant audit adjustments the impact of which was to increase the net worth of the Authority as at 31 March 2015 by £4.1 million and related to the following:

- Adjustment made to estimates for the year end school bank position of £4.6 million;
- Reallocation of reversals of valuation losses of £74.3 million on Council dwellings between HRA expenditure and income;
- Decrease in valuation of other Land and Buildings within Property, Plant and Equipment by £1.2 million due to an incorrect revaluation calculation; and
- Adjustment to deferred income of £5.6 million as a result of the PFI contract variation.

There was one potential difference of £1.3 million relating the Pension Fund that the Authority did not adjust as it was not material and was to be investigated further by the Authority. He continued that KPMG issued an unqualified opinion on the pension fund financial statements and an opinion that the Pension Fund Annual Report was consistent with the financial statements.

In response to members' questions, Phil Johnstone explained that the electors' queries related to Barham Park Library and a decision making process of the Cabinet but none impacted on the audit certificate being given and the audit year closed.

Members were advised that specific risks including overpayment were outside the remit of KPMG as they were the responsibility of the Department of Works and Pensions (DWP). Conrad Hall, Chief Finance Officer, clarified that the single fraud investigation service including investigations into overpayments was transferred to the DWP via TUPE agreement in 2014

RESOLVED:-

that the Annual Audit Letter from the external auditor, KPMG, be noted.

6. LB Brent Progress report - January 2016

The report provided a summary of the work performed by KPMG since the meeting of the Committee in September 2015. Steve Lucas (KPMG Audit Manager) informed members that the audit of the Authority's housing benefit grant claim was completed on 30 November 2015 and a qualified audit report was issued. Although there was a reduction in the number of errors relating to self employed income, KPMG's grant report would seek to review the timing of when the errors arose so as to ascertain the level of improvement made during the year. He continued that there were no issues needed to report to the Government Departments on the Teachers' Pension return and the pooling of housing capital receipts return.

Steve Lucas then drew members attention to KPMG's work over the next quarter focussing on the following:

- Preparing and agreeing our grants report which will be presented to the next Audit Committee;

- Planning for our 2015/16 financial statements and value for money audits which will include meeting key officers;
- Preparing our 2015/16 Audit Plan for the Authority and its Pension Fund for presentation at the Audit Committee in March 2016;
- Planning our interim accounts audit including update KPMG's knowledge of the Authority's financial systems and overall control environment, review the findings of internal audit and test the key financial controls supporting the production of financial information for inclusion within the Authority's financial statements; and
- Discussing with officers the arrangements for our opinion audit visit and how we can ensure the audit is delivered with maximum efficiency for both the Authority and ourselves.

RESOLVED:-

that the KPMG's progress report be noted.

7. Information Commissioner's Office Audit

The Committee considered a report which outlined the position with the Information Commissioner's Office (ICO) data protection audit and the Council's action plan to address the findings from the audit. The audit was to assess the Council's compliance with the Data Protection Act (DPA). Peter Gadsdon (Director of Performance, Policy and Partnerships) and Raj Seedher (Information Governance Manager) attended the meeting to present the report and respond to queries. The Director stated that the ICO audit was in respect of security of personal data; subject access requests; and data sharing.

Members heard that the audit provided an overall conclusion of Limited Assurance (Amber grading) which meant that there was a limited level of assurance that processes and procedures were in place to comply with data protection. The audit identified considerable scope for improvement in existing arrangements to reduce the risk of non-compliance with the DPA. The Director highlighted the significant ones and the actions proposed to address them as follows:

Improved technical controls for portable memory devices. Measures were being put in place to block the use of portable devices such USB pen drives from the network in order to improve security of confidential data.

Annual mandatory refresher training for all staff and contractors would replace the current training required every four years.

The target for complying with the SAR statutory timeframes, currently set at 80% for 2015 would be increased to 95% for 2016.

Pater Gadsdon continued that progress on the action in the plan to address the recommendations in the ICO report were being monitored by the Information Governance Group which would discuss implementation and report to the Corporate Management Team (CMT).

In the discussion that followed, members raised questions about security of confidential data when officers were working from home, how freedom of information requests were being dealt with and also enquired about measures that the department had in place to prevent hacking into the Council's network system.

Raj Seedher responded that when working from home, the information was encrypted and stored centrally in the system which prevented accidental or deliberate breach of confidentiality. The prerequisite for a code number generated by the 'authenticator' was an additional measure to counter incidents of hacking. He added that a thorough review of the use of paper to be replaced with electronic devices for effective control was being put in place with an upgrade to a new system, "Mosaic". Members were advised that through the use of iCasework, freedom of information requests were being managed efficiently. In order to safeguard the Authority's financial portals, risk impact and security assessments coupled with robust penetration tests were being carried out to a level that matched industry best practice. The Director added that the Authority's software systems were being constantly upgraded to maintain security and integrity which was further enhanced with a quarterly departmental penetration tests and, annually through compliance with Sector Network code of connection standards. He also drew members' attention to benchmark figures with other London Boroughs as set out in the appendix attached to the report.

RESOLVED:-

- (i) that the Action Plan to address the audit recommendations;
- (ii) that it be noted that the Executive Summary of the ICO audit will be published on the ICO website.

8. Internal Audit & Counter Fraud Progress Report for the period 1 August 2015 - 31 October 2015

The Committee considered a report that provided an update on the progress against the internal audit plan for the period 1 August 2015 to 31 October 2015 together with summarises of those assurance reports from the 2014/15 plan finalised since the last meeting. The report also provided a summary of counter fraud work for the first two quarters of 2015/16 including October 2015.

Steve Tinkler (Head of Shared Internal Audit Service) introduced the report. He informed members that progress had been made and with a positive direction of travel, he was confident that the internal audit plan would be delivered on time. He continued that work had commenced on 39 of the 79 internal audit assignments included within the agreed 2015/16 plan (excluding follow up and advisory work) and 22 assignments completed to draft or final stage. He added that of the twenty two assignments, eighteen had an assurance opinion associated with them and four were in respect of non-assurance work including a grant and trust account certification.

The Head of Shared Internal Audit Service (Head of Service) clarified that a number of audits scheduled to be carried out in the first and second quarters were either also removed from the plan or as a result of request by management that they should be deferred. This was in part, a consequence of the structural changes within some departments, or system changes because the proposed assignments were similar to audits recently undertaken and would therefore constitute a duplication. He continued that in all such cases, the consequent available resources were re-allocated. He drew members' attention to the fraud findings which showed a significant recovery of social housing properties ahead of target,

positive work on right to buy and blue badge fraud cases, the latter in close collaboration with Brent Parking Services.

In respect of limited assurance reports for schools, Conrad Hall (Chief Finance Officer) stressed that the Council expected good governance, leadership and management of schools and where these were found lacking, a swift action would be taken to ensure that standards of financial controls were complied with. Reference was made to priority recommendations to Mitchell Brook Primary School and management responses together with deadline dates.

In welcoming the report, members expressed their appreciation to the entire internal audit team and asked Steve Tinkler to pass on their sentiments.

RESOLVED:

that the progress made in achieving the 2015/16 Internal Audit Plan and the review of fraud work be noted.

9. Treasury Management Strategy

Members considered a report which presented the draft Treasury Management Strategy for 2016/17. Conrad Hall (Chief Finance Officer) informed members that the final version of the strategy, incorporating the views of the Committee, would be included in the budget report to full Council meeting on 22 February 2016

The Chief Finance Officer continued that the Authority's current strategy was to maintain borrowing at the lowest level possible unless interest rate prospects presented a clear case for taking long term borrowing ahead of immediate requirements. According to a forecast by Arlingclose (the Authority's treasury management advisers), the official UK Bank Rate would remain at 0.5%, possibly into 2016 and therefore there was no current need to change the strategy. Any rise would then be relatively modest. He continued that officers would monitor developments with advice by Arlingclose together with due regard to other published information. Members heard that the Authority had £95.5m exposure to LOBO loans (Lender's Option Borrower's Option) of which £56.0m of these can be "called" within 2016/17 although within the current financial climate it was unlikely that these could be called in. It was noted that Brent currently held a historically high level of cash which has risen over the last three years due to unspent capital grants and Section 106 contributions, although this was likely to fall over time. The Chief Finance Officer advised members that the strategy for cash holding to generate high returns at a lower risk would be pursued.

The committee noted and agreed that for conventional treasury management activities the priority should remain to preserve capital over returns, rather than to chase higher returns for increased levels of risk. However, the committee recommended that officers consider alternative ways to leverage the council's balance sheet in order to invest in services that will also generate financial returns, either directly or through costs avoided.

RESOLVED:-

That the treasury management strategy be endorsed and that officers consider alternative ways to leverage the council's balance sheet in order to invest in services that would also generate financial returns, either directly or through costs avoided.

10. Internal Audit Planning 2016/17 – Outline Approach

The Committee considered a report that provided members with details of the proposed approach for the development of the 2016/17 of the internal audit focus, from previous audit plans developed. Steve Tinkler (Head of Shared Internal Audit Services) informed members that for an effective Internal Audit function, the service would need to continue to demonstrate that it added value in the internal audit approach and the assurances provided. He meant to achieve this through the delivery of cross-cutting organisational reviews rather than the traditional delivery of service based Internal Audits. With that in view, the intention was to ensure that the 2016/17 Internal Audit plan included an element of focus on corporate / cross-cutting reviews. In order to deliver the reviews, the service would also seek to employ a range of internal audit techniques including 'embedded assurance' based reviews.

In addition to the above, a review of the audit approach within Schools was also being considered including the development of the approach by moving to the delivery of thematic based reviews, rather than the continued delivery of the existing audit program. He continued that with a thematic approach, each school would receive an individual Internal Audit report, however the findings of the thematic reviews would be consolidated into single reports which would provide an assurance opinion to Strategic Director Children's Services, the Chief Finance Officer (Section 151 Officer) and the Audit Committee on the effective management of the thematic risks within Schools.

Members were advised to contact Head of Shared Internal Audit Services directly if they had matters they wished to be considered for inclusion in the audit programme.

RESOLVED:

that the proposed approach for the preparation and focus of the 2016/17 Annual Operational Internal Audit Plan be noted.

11. Strategic Internal Audit Partner Procurement

This report from the Chief Finance Officer provided an update on the status of the procurement exercise currently being undertaken by the LB Ealing to identify and appoint a Strategic Internal Audit Partner for the Shared Service. Steve Tinkler (Head of Shared Service) informed members that the creation of the Audit & Investigations Shared Service has however provided the opportunity to consolidate the arrangement into a single contract between LB Ealing and the Strategic Internal Audit Partner. He advised that the key driver was to deliver improvements in the overall effectiveness of the internal audit services, delivered through the introduction of innovation in the internal audit techniques employed, whilst also

maximising the use of technology and IT solutions to deliver wider levels of assurance wherever possible.

In order to promote and ensure the success of the procurement, a 'Procurement Supplier Day' was held in August 2015, in order to explain to potential suppliers the requirements and service standards expected. He continued that currently, a single stage procurement exercise was being completed and Invitations to Tender were issued during week commencing 20th December 2015. Tenders were due to be returned for evaluation at the end of January 2016 and supplier presentations will be held during February 2016, leading to the appointment of the successful supplier by the end of March 2016. Steve Tinkler advised the committee that the evaluation panel would comprise of senior representatives from Ealing, Brent and Hounslow.

RESOLVED:-

that the progress being made with regards to the procurement of a Strategic Internal Audit Partner by the Shared Service be noted.

12. **Audit shared service**

Members received a report from the Chief Finance Officer which provided details of the service specification agreed and included within the Formal Collaboration agreement which would govern and monitor the performance requirements placed on the Shared Service. Conrad Hall (Chief Finance Officer) informed members that the creation of a Shared Internal Audit Service with the London Borough of Ealing was approved at the Council meeting held on 22 June 2015. He continued that the formal legal Collaboration Agreement which was a legally binding agreement, outlined the full legal obligations placed on both parties with regards to the service standard expectations and performance requirements as set out in the service performance schedule appended to the report.

In the discussion that followed, Councillor Davidson whilst welcoming the shared service, suggested that it needed to be further expanded to include more partners. Questions were asked as to whether full consultation was undertaken prior to entering into the Collaboration Agreement and how the shared service would be audited.

The Chief Finance Officer cautioned against adding partners to the agreement too quickly due to increased risks and governance issues, but stressed that he was not against the principle at all. In addition, scoping work on Brent's approach to shared services was being conducted. Members heard that in addition to the performance indicators as set out in the schedule 1 of the agreement, the Shared Service was being monitored by the Chief Finance Officer, with weekly meetings with the Head of Audit & Investigations Shared Service.

RESOLVED:-

that the service specification and performance standards included within the formal collaboration agreement between the London Borough of Ealing and Brent be noted.

13. Review of progress against previous KPMG recommendations

Members received a report from the Chief Finance Officer which provided an update on the confidential report from KPMG regarding the operation of financial controls and how these could be strengthened. Conrad Hall (Chief Finance Officer) drew members' attention to appendix one to this report which showed the progress made in implementing KPMG's recommendations.

RESOLVED:-

that the contents of appendix one which provided outlining to the report from an update on KPMG's recommendations the Chief Finance Officer be noted.

14. Corporate Risk Register

Steve Tinkler (Head of Shared Audit and Investigation Service) introduced the report which presented the council's current Corporate Risk Register. He drew members' attention to the risk register (attached as appendix 1 to the report) which was last reviewed by the Committee at its meeting on 16 September 2015. Members were informed that since the last meeting, the Risk Management Group had met on two occasions, drawing members' attention to the changes made as set out in appendix 1 to the report.

In noting the report, members expressed concerns about the Council's inability to discharge its statutory duty to provide education to meet demand for school places which could raise issues about reputational damage and potential legal challenge that could follow.

Conrad Hall (Chief Finance Officer) informed members that the problem was not confined to Brent as it was an issue affecting all London boroughs due to population pressure, demographic changes and pressure on land for school buildings. The issue was being looked onto via the Pan London Services. He continued that Brent was able to offer school places to all applicants last September.

In the ensuing discussions, members generally felt that they were either not getting enough information or the information presented was not detailed enough. In response to a member's enquiry about the possibility of sharing the risk register of both boroughs of Ealing and Hounslow, Steve Tinkler stated that it would be possible to share Hounslow register but not Ealing's as their risk register was confidential under the Access to Information Act. The Chief Finance Officer stressed that the function of a risk register was to highlight potential risks in order that they could be managed, and that by definition the registers therefore contained negative items. Inclusion of a risk on the risk register does not mean that it will actually turn into a live issue.

RESOLVED:-

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

15. **Any other urgent business**

None.

16. **Date of next meeting**

to note that the next meeting would take place on 23 March 2016 at 6:30pm.

The meeting closed at 9.50 pm

D EWART
Chair

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External Audit Plan 2015/2016

Page 11

London Borough of
Brent and associated
Pension Fund

March 2016

Agenda Item 5

Financial Statement Audit



There are no significant changes to the Code of Practice on Local Authority Accounting in 2015/16, which provides stability in terms of the accounting standards the Council needs to comply with.

Materiality

Materiality for planning purposes has been set at **£12 million** for the Council and **£5 million** for the Pension Fund.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance and this has been set at £600,000 for the Council and £250,000 for the Pension Fund.

Significant risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error have been identified as:

- Oracle General Ledger and Purchase Ledger system;
- Fair value of Property, Plant and Equipment;
- Actuarial valuation - Pension assets and liabilities;
- Management override of controls; and
- Fraudulent revenue recognition.

Other areas of audit focus

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding have been identified as investments for the Pension Fund audit.

See pages 3 to 6 for more details.

Value for Money Arrangements work



The National Audit Office has issued new guidance for the VFM audit which applies from the 2015/16 audit year. The approach is broadly similar in concept to the previous VFM audit regime, but there are some notable changes:

- There is a new overall criterion on which the auditor's VFM conclusion is based; and
- This overall criterion is supported by three new sub-criteria.

Our risk assessment regarding your arrangements to secure value for money have identified the following VFM significant risks:

- Financial Resilience; and
- Better Care Fund

See pages 7 to 10 for more details.

Logistics



Our team is:

- Phil Johnstone - Director
- Steve Lucas – Senior Manager
- Emily Tiernan – Assistant Manager

More details are on **page 13**.

Our work will be completed in four phases from January to September and our key deliverables are this Audit Plan and a Report to those charged with governance as outlined on **page 12**.

Our fee for the audit is £199,590 (£266,120 - 2014/2015) for the Council and £21,000 (£21,000 - 2014/15) for the Pension Fund see **page 11**.

Background and Statutory responsibilities

This document supplements our Audit Fee Letter 2015/16 presented to you in April 2015, which also sets out details of our appointment by Public Sector Audit Appointments Ltd (PSAA).

Our statutory responsibilities and powers are set out in the Local Audit and Accountability Act 2014 and the National Audit Office's Code of Audit Practice.

Our audit has two key objectives, requiring us to audit/review and report on your:

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

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

Acknowledgements

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

Financial Statements Audit

Our financial statements audit work follows a four stage audit process which is identified below. Appendix 1 provides more detail on the activities that this includes. This report concentrates on the Financial Statements Audit Planning stage of the Financial Statements Audit.



Value for Money Arrangements Work

Our Value for Money (VFM) Arrangements Work follows a five stage process which is identified below. Page 7 provides more detail on the activities that this includes. This report concentrates on explaining the VFM approach for the 2015/16 and the initial findings of our VFM risk assessment.



Council Financial Statements Audit Planning

Our planning work takes place during January to February 2016. This involves the following key aspects:

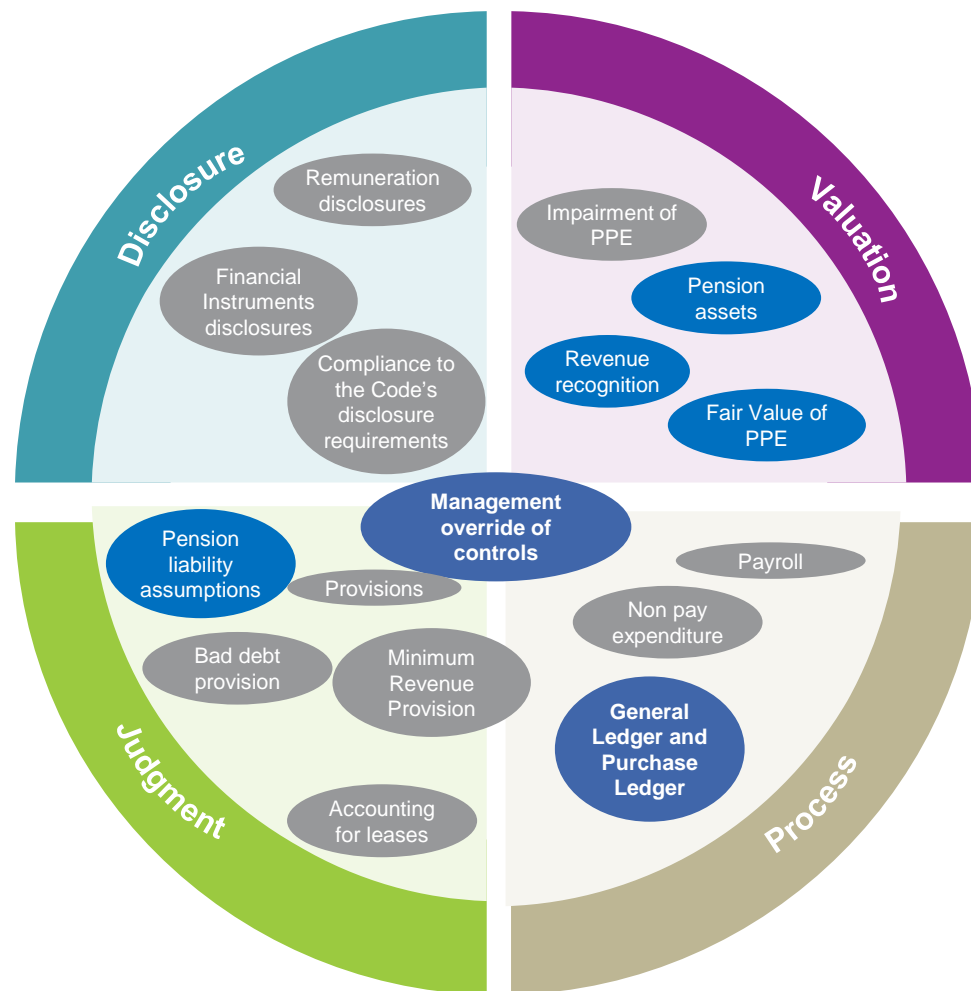
- Risk assessment;
- Determining our materiality level; and
- Issuing this audit plan to communicate our audit strategy.

Risk assessment

Professional standards require us to consider two standard risks for all organisations. We are not elaborating on these standard risks in this plan but consider them as a matter of course in our audit and will include any findings arising from our work in our ISA 260 Report.

- **Management override of controls** – Management is typically in a powerful position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit methodology incorporates the risk of management override as a default significant risk. In line with our methodology, we carry out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.
- **Fraudulent revenue recognition** – We do not consider this to be a significant risk for the majority of the Council's income as there are limited incentives and opportunities to manipulate the way income is recognised. We therefore rebut this risk for Council Tax, Business Rates, Housing rents and annual central Government grants and do not incorporate specific work into our audit plan in these areas over and above our standard fraud procedures. However, we do consider it for income relating to s106 monies, fees and grants that span financial years.

The diagram opposite identifies significant risks which we expand on overleaf. The diagram also identifies a range of other areas considered by our audit approach.



Keys: ● Significant risk ● Example other areas considered by our approach

Pension Fund Financial Statements Audit Planning

Our planning work takes place during January and February 2016. This involves the following key aspects:

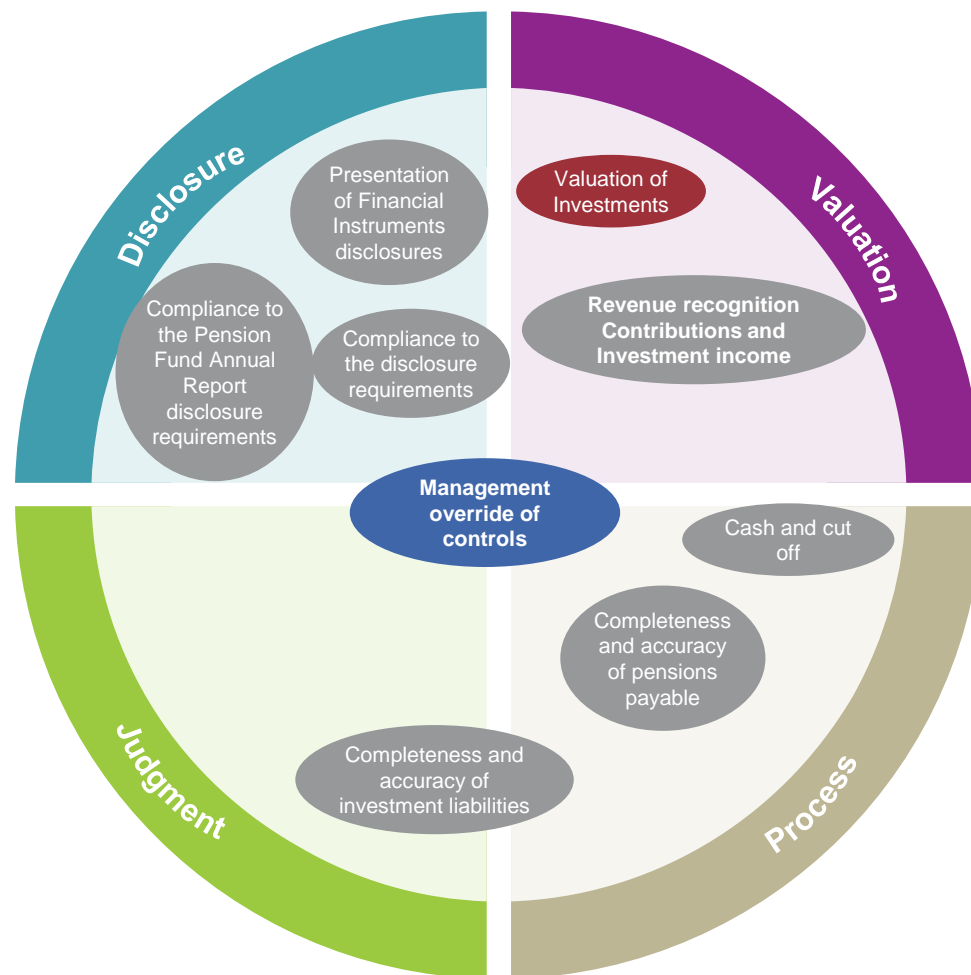
- Risk assessment;
- Determining our materiality level; and
- Issuing this audit plan to communicate our audit strategy.

Risk assessment

Professional standards require us to consider two standard risks for all organisations. We are not elaborating on these standard risks in this plan but consider them as a matter of course in our audit and will include any findings arising from our work in our ISA 260 Report.

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

The diagram opposite identifies, significant risks and other areas of audit focus, which we expand on overleaf. The diagram also identifies a range of other areas considered by our audit approach.



Keys: ● Significant risk ● Other area of audit focus ● Example other areas considered by our approach

Significant Audit Risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error.

Oracle General Ledger and Purchase Ledger

Risk: The Council's General ledger and accounting system was upgraded to Oracle One (R12) in August 2014. Following a request by management we completed a review of the Finance Service Centre including the application of controls that had been put in place. We made a number of high priority recommendations that if not implemented could lead to errors in the financial statements.

Approach: We will review the Council's response and action taken to address our recommendations. We will then consider the impact on our assessment of the overall control environment and complete any additional tests required.

Fair value of Property, Plant and Equipment

Risk: In 2014/15 the Authority reported Property, Plant and Equipment of £1,471 million of which £1,239 million related to land and buildings, including Council dwellings. Local authorities exercise judgement in determining the fair value of the assets held and the methods used to ensure the carrying values recorded each year reflect those fair values. Given the materiality in value and the judgement involved in determining the carrying amounts of assets we consider this to be an area of significant audit risk.

Approach: We will understand the approach to valuation, the qualifications and reports by the Authority's valuers and the judgements made by the Authority in response to the information received. Where valuations are made other than at the year end we will review the Authority's judgement in assessing movements from the valuation date.

Actuarial valuation - pension assets and liabilities

Risk: There is an inherent valuation estimate in respect of the Council's defined benefit liability. Pension valuations require a significant level of expertise, judgement and estimation and are therefore more susceptible to error. This is also a very complex accounting area increasing the risk of misstatement.

Approach: Our audit will include confirming the information provided to the actuary from the Council, a review of the actuarial valuation consideration of the assumptions made by your actuaries to benchmarks, which are collated by our KPMG actuaries, and a review of management's assessment of the accounting requirements to satisfy ourselves that they comply with the requirements of the Local Government SORP for 2015/16.

Other areas of audit focus

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding.

Pension Funds area of focus = Investments

Risk: The Pension Fund held £657 million of investments at 31 March 2015. Some of these were unquoted investments which management valued at the year end using unaudited accounts.

Approach: We will obtain confirmations from the Fund managers and Custodians, and reconciliations between the two, as well as reviewing ISAE3402 compliance reports on each Fund Manager. For unquoted investments we will check the basis of the valuations and also to audited accounts as they become available.

Materiality

We are required to plan our audit to determine with reasonable confidence whether or not the financial statements are free from material misstatement. An omission or misstatement is regarded as material if it would reasonably influence the user of financial statements. This therefore involves an assessment of the qualitative and quantitative nature of omissions and misstatements.

Generally, we would not consider differences in opinion in respect of areas of judgment to represent 'misstatements' unless the application of that judgment results in a financial amount falling outside of a range which we consider to be acceptable.

For the Council, materiality for planning purposes has been set at £12 million which equates to 1.3% percent of gross expenditure.

For the Pension Fund, materiality for planning purposes has been set at £5 million which equates to just under 1% of expected net assets.

We design our procedures to detect individual errors. For the Council this is £8 million, and for the Pensions Fund this is £3.75 million for the year ended 31 March 2016, and we have some flexibility to adjust this level downwards.

Reporting to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260 (UK&I), we are obliged to report omissions or misstatements other than those which are 'clearly trivial' to those charged with governance, and to request that adjustments are made to correct such matters. ISA 260 (UK&I) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

- In the context of the Council we propose to report all individual unadjusted differences greater than £600,000 to the Audit Committee.
- In the context of the Pension Fund we propose to report all individual unadjusted differences greater than £250,000 to the Audit Committee.
- We will also have regard to other errors below this amount if evidence of systematic error or if material by nature.

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

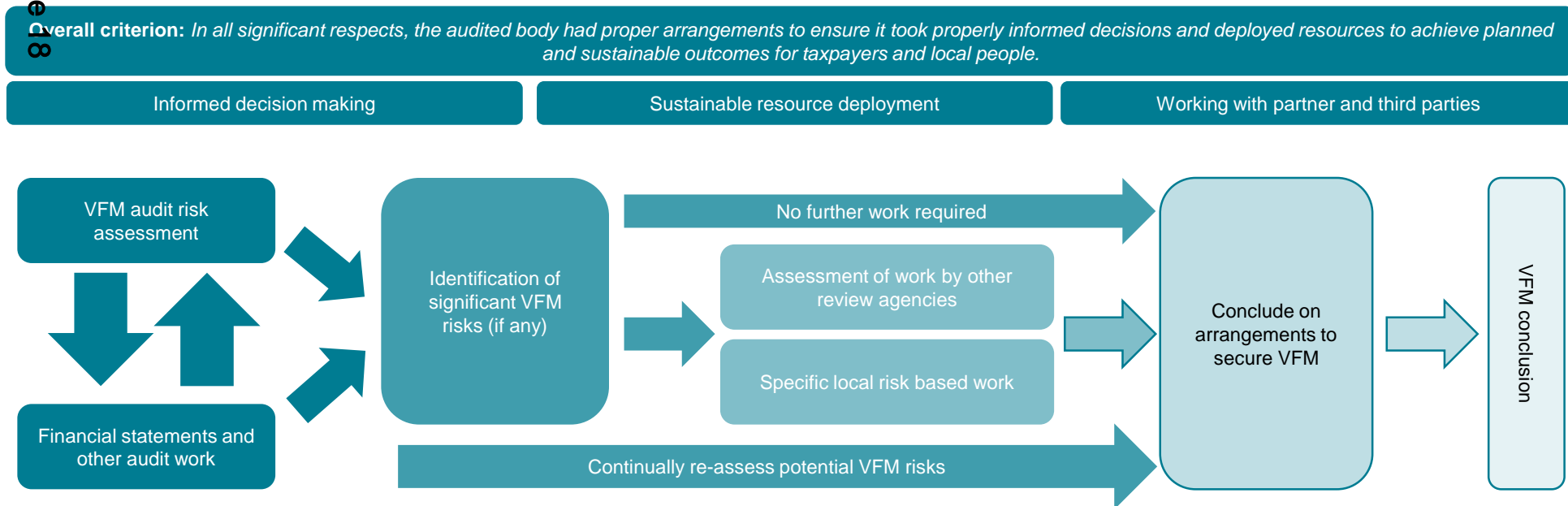
Background to approach to VFM work

The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the authority 'has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'.

This is supported by the Code of Audit Practice, published by the NAO in April 2015, which requires auditors to 'take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor's judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body's arrangements.'

The VFM approach is fundamentally unchanged from that adopted in 2014/2015 and the process is shown in the diagram below. However, the previous two specified reporting criteria (financial resilience and economy, efficiency and effectiveness) have been replaced with a single criteria supported by three sub-criteria. These sub-criteria provide a focus to our VFM work at the Council. The full guidance is available from the NAO website at: <https://www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors/>. Our approach to the value for money is recorded below:

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VFM audit stage	Audit approach
VFM audit risk assessment	<p>We consider the relevance and significance of the potential business risks faced by all local authorities, and other risks that apply specifically to the Council. These are the significant operational and financial risks in achieving statutory functions and objectives, which are relevant to auditors' responsibilities under the <i>Code of Audit Practice</i>.</p> <p>In doing so we consider:</p> <ul style="list-style-type: none"> ■ The Council's own assessment of the risks it faces, and its arrangements to manage and address its risks; ■ Information from the Public Sector Auditor Appointments Limited VFM profile tool; ■ Evidence gained from previous audit work, including the response to that work; and ■ The work of other inspectorates and review agencies.
Linkages with financial statements and other audit work	<p>There is a degree of overlap between the work we do as part of the VFM audit and our financial statements audit. For example, our financial statements audit includes an assessment and testing of the Council's organisational control environment, including the Council's financial management and governance arrangements, many aspects of which are relevant to our VFM audit responsibilities.</p> <p>We have always sought to avoid duplication of audit effort by integrating our financial statements and VFM work, and this will continue. We will therefore draw upon relevant aspects of our financial statements audit work to inform the VFM audit.</p>
Identification of significant risks	<p>The Code identifies a matter as significant '<i>if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public. Significance has both qualitative and quantitative aspects.</i>'</p> <p>If we identify significant VFM risks, then we will highlight the risk to the Council and consider the most appropriate audit response in each case, including:</p> <ul style="list-style-type: none"> ■ Considering the results of work by the Authority, inspectorates and other review agencies; and ■ Carrying out local risk-based work to form a view on the adequacy of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

VFM audit stage	Audit approach
<p>Assessment of work by other review agencies</p> <p>and</p> <p>Delivery of local risk based work</p>	<p>Depending on the nature of the significant VFM risk identified, we may be able to draw on the work of other inspectorates, review agencies and other relevant bodies to provide us with the necessary evidence to reach our conclusion on the risk.</p> <p>If such evidence is not available, we will instead need to consider what additional work we will be required to undertake to satisfy ourselves that we have reasonable evidence to support the conclusion that we will draw. Such work may include:</p> <ul style="list-style-type: none"> ■ Meeting with senior managers across the Council; ■ Review of minutes and internal reports; ■ Examination of financial models for reasonableness, using our own experience and benchmarking data from within and without the sector.
<p>Concluding on VFM arrangements</p>	<p>At the conclusion of the VFM audit we will consider the results of the work undertaken and assess the assurance obtained against each of the VFM themes regarding the adequacy of the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources.</p> <p>If any issues are identified that may be significant to this assessment, and in particular if there are issues that indicate we may need to consider qualifying our VFM conclusion, we will discuss these with management as soon as possible. Such issues will also be considered more widely as part of KPMG's quality control processes, to help ensure the consistency of auditors' decisions.</p>
<p>Reporting</p>	<p>On the following page, we report the results of our initial risk assessment.</p> <p>We will report on the results of the VFM audit through our ISA 260 Report. This will summarise any specific matters arising, and the basis for our overall conclusion.</p> <p>The key output from the work will be the VFM conclusion (i.e. our opinion on the Council's arrangements for securing VFM), which forms part of our audit report.</p>



Significant VFM Risks

Those risks requiring specific audit attention and procedures to address the likelihood that proper arrangements are not in place to deliver value for money.

Financial Resilience

- Risk: Local Authorities are subject to an increasingly challenged financial regime with reduced funding from Central Government whilst having to maintain a statutory and quality level of services to local residents.
- Approach : We will review overall management arrangements that the Council has for managing its financial position. This will include the processes to develop a robust Medium Term Financial Strategy, ongoing monitoring of the annual budget, responsiveness to increasing costs of demand led services and changes in funding allocations and the governance arrangements of how the figures are reported through to Full Council.

Better Care Fund

- Risk: The Better Care Fund was set up by Government to encourage joint work across health and adult social care to ensure local people receive better care. Joint arrangements have been established with Brent CCG to administer the local Better Care Fund. As the arrangements are new, crossing the health and social care boundary with organisations who have different legal structures there is a risk that the governance and accounting arrangements may not be well developed to manage this partnership arrangement appropriately.
- Approach: We will review the legal, governance and accounting arrangements that have been put in place to govern and administer the Better Care Fund within Brent. These include the functioning of the governance structure that has been put in place under the Health and Wellbeing Board.

Whole of government accounts (WGA)

We are required to review your WGA consolidation and undertake the work specified under the approach that is agreed with HM Treasury and the National Audit Office. Deadlines for production of the pack and the specified approach for 2015/16 have not yet been confirmed.

Elector challenge

The Local Audit and Accountability Act 2014 gives electors certain rights. These are:

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

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

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

Audit certificate

Following the completion of our audit work, we are required to certify the completion of the audit. The effect of the certificate is to close the audit. This marks the point when the auditor's responsibilities in respect of the audit of the period covered by the certificate have been discharged.

Our audit team

Our audit team will be led by Phil Johnstone (Director) and Steve Lucas (Senior Manager) providing continuity at a senior level. Appendix 2 provides more details on specific roles and contact details of the team.

Reporting and communication

Reporting is a key part of the audit process, not only in communicating the audit findings for the year, but also in ensuring the audit team are accountable to you in addressing the issues identified as part of the audit strategy. Throughout the year we will communicate with you through meetings with the finance team and the Audit Committee. Our communication outputs are included in Appendix 1.

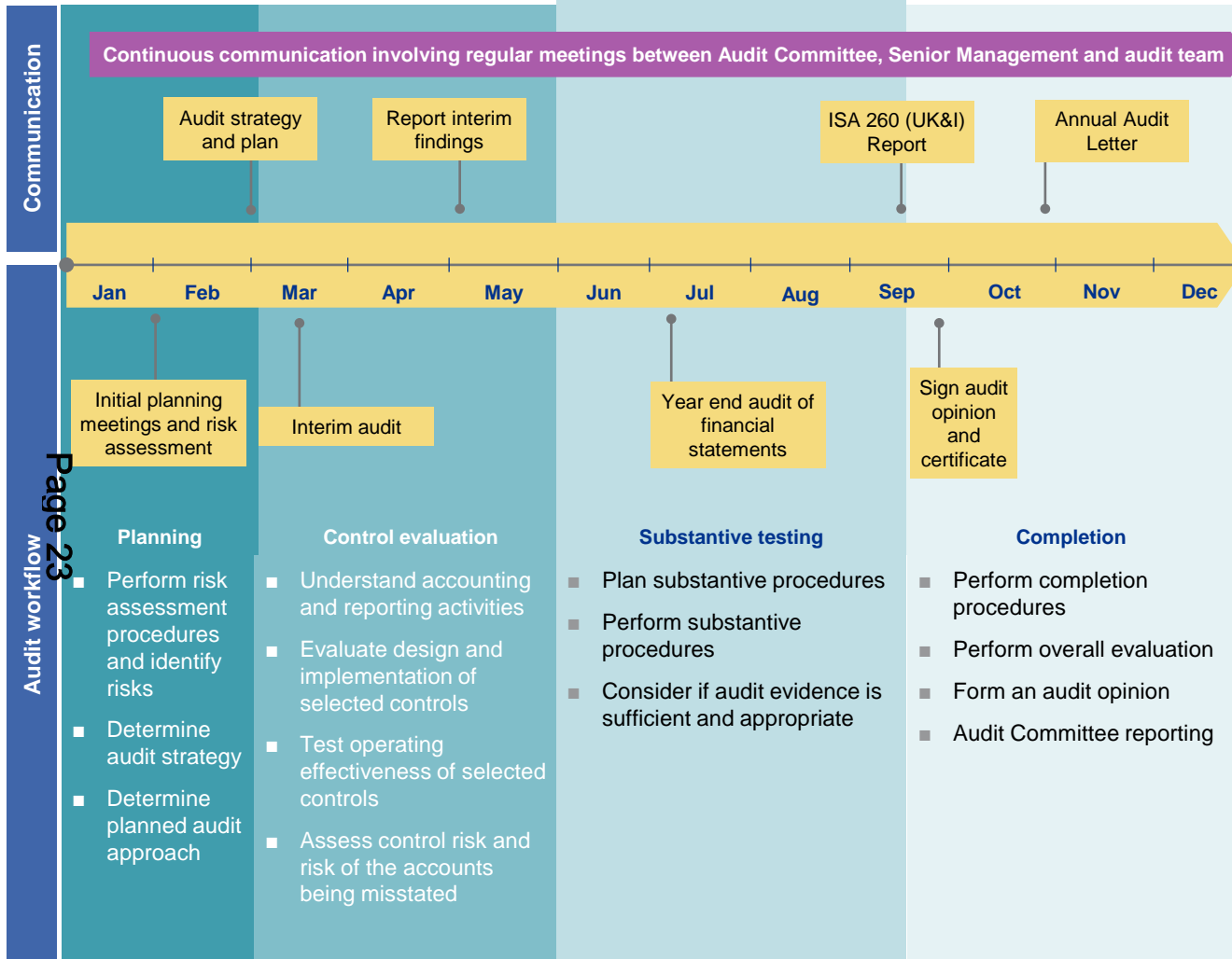
Independence and Objectivity

Auditors are also required to be independent and objective. Appendix 3 provides more details of our confirmation of independence and objectivity.

Audit fee

Our Audit Fee Letter 2015/2016 presented to you in April 2015 first set out our fees for the 2015/2016 audit. This letter also sets out our assumptions. We have not considered it necessary to make any changes to the agreed fees at this stage.

The planned audit fee for 2015/16 is £199,590 for the Council. This is a reduction in audit fee, compared to 2014/15, of £66,530 (25%). The planned audit fee for 2015/16 is £21,000 for the Pension Fund. (2014/15 £21,000).



Driving more value from the audit through data and analytics

Technology is embedded throughout our audit approach to deliver a high quality audit opinion. Use of Data and Analytics (D&A) to analyse large populations of transactions in order to identify key areas for our audit focus is just one element. We strive to deliver new quality insight into your operations that enhances our and your preparedness and improves your collective 'business intelligence.' Data and Analytics allows us to:

- Obtain greater understanding of your processes, to automatically extract control configurations and to obtain higher levels assurance.
- Focus manual procedures on key areas of risk and on transactional exceptions.
- Identify data patterns and the root cause of issues to increase forward-looking insight.

We anticipate using data and analytics in our work around key areas such as accounts payable and journals.

Your audit team has been drawn from our specialist public sector assurance department. Phil Johnstone and Steve Lucas provide continuity on the audit at a senior level. Emily Tiernan is new to the audit team this year, to bring a fresh perspective to the team.



Name	Phil Johnstone philip.johnstone@kpmg.co.uk
Position	Director
	<p>'My role is to lead our team and ensure the delivery of a high quality, valued added external audit opinion.</p> <p>I will be the main point of contact for the Audit Committee, Chief Executive, Executive Directors and s151 Officer.</p>



Name	Steve Lucas Stephen.lucas@kpmg.co.uk
Position	Senior Manager
	<p>'I provide quality assurance for the audit work and specifically any technical accounting and risk areas.</p> <p>I will work closely with director to ensure we add value.</p> <p>I will liaise with the Director of Finance and the Finance Team</p>



Name	Emily Tiernan Emily.tiernan@kpmg.co.uk
Position	Assistant Manager
	<p>'I will be responsible for the on-site delivery of our work and will supervise the work of our audit assistants.'</p>

Independence and objectivity

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

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

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

Further to this auditors are required by the National Audit Office's Code of Audit Practice to:

- Carry out their work with integrity, independence and objectivity;
- Be transparent and report publicly as required;
- Be professional and proportional in conducting work;
- Be mindful of the activities of inspectorates to prevent duplication;
- Take a constructive and positive approach to their work;
- Comply with data statutory and other relevant requirements relating to the security, transfer, holding, disclosure and disposal of information.

PSAA's Terms of Appointment includes several references to arrangements designed to support and reinforce the requirements relating to independence, which auditors must comply with. These are as follows:

- Auditors and senior members of their staff who are directly involved in the management, supervision or delivery of PSAA audit work should not take part in political activity.

- No member or employee of the firm should accept or hold an appointment as a member of an audited body whose auditor is, or is proposed to be, from the same firm. In addition, no member or employee of the firm should accept or hold such appointments at related bodies, such as those linked to the audited body through a strategic partnership.
- Audit staff are expected not to accept appointments as Governors at certain types of schools within the local authority.
- Auditors and their staff should not be employed in any capacity (whether paid or unpaid) by an audited body or other organisation providing services to an audited body whilst being employed by the firm.
- Auditors appointed by the PSAA should not accept engagements which involve commenting on the performance of other PSAA auditors on PSAA work without first consulting PSAA.
- Auditors are expected to comply with the Terms of Appointment policy for the Engagement Lead to be changed on a periodic basis.
- Audit suppliers are required to obtain the PSAA's written approval prior to changing any Engagement Lead in respect of each audited body.
- Certain other staff changes or appointments require positive action to be taken by Firms as set out in the Terms of Appointment.

Confirmation statement

We confirm that as of 1 March 2016 in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Engagement Lead and audit team is not impaired.



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This report is addressed to the Council and has been prepared for the sole use of the Council. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, which is available on Public Sector Audit Appointment’s website (www.psaa.co.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.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG’s work, in the first instance you should contact Phil Johnstone the engagement lead to the Council, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG’s work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers, by email to Andrew.Sayers@kpmg.co.uk After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA’s complaints procedure by emailing generalenquiries@psaa.co.uk by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.



cutting through complexity

KPMG Annual Report on grants and returns work 2014/15

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Brent Council
February 2016

Agenda Item 6

The contacts at KPMG in connection with this report are:

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Senior Manager

KPMG LLP (UK)

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Appendix 1

Response to KPMG Grant Report – Housing Benefit

This report is addressed to the Council and has been prepared for the sole use of the Council. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, which is available on Public Sector Audit Appointment's website (www.psaa.co.uk).

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Introduction and background	<p>This report summarises the results of work we have carried out on the Council's 2014/15 grant claims and returns.</p> <p>This includes the work we have completed under the Public Sector Audit Appointment certification arrangements, as well as the work we have completed on other returns under separate engagement terms. The work completed in 2014/15 is:</p> <ul style="list-style-type: none"> ■ Under the Public Sector Audit Appointment arrangements we certified one claim – the Council's 2014/15 Housing Benefit Subsidy claim. This had a value of £351 million. ■ Under separate assurance engagements we certified two returns as listed below. <ul style="list-style-type: none"> – Teachers' Pension Return (£15.3 million); and – Pooling of Housing Capital Receipts Return (£1 million). 	-
Certification results	<p>Our work on the Council's Housing Benefit Subsidy claim was subject to a qualification letter. The main qualifications related to errors arising as a result of the calculation of self employed income for benefit purposes.</p> <p>Our work on the other grant assurance engagements resulted in unqualified assurance reports.</p>	Pages 3 – 5
Audit adjustments	<p>Adjustments of £10,746 were necessary to the Teachers' Pension Return and £12,078 to the Housing Benefit Subsidy Claim as a result of our work this year. There were no adjustment required to the Pooling of Housing Capital Receipts Return.</p>	Pages 3 – 5
Fees	<p>The indicative fee for our work on the Council's 2014/15 Housing Benefit Subsidy was set by Public Sector Audit Appointments at £29,540. The actual fee for this work was £29,540.</p> <p>Our fees for the other 'assurance' engagements were subject to agreement directly with the Council and were £6,000 in total.</p>	Page 6

Summary of certification work outcomes






Overall, we carried out work on three grants and returns:

- One was unqualified with no amendment;
- One was unqualified but required a minor amendment to the final figures; and
- One required a minor amendment and a qualification to our audit certificate.

Detailed comments are provided overleaf.

Detailed below is a summary of the reporting outcomes from our work on the Council's 2014/15 grants and returns, showing where either audit amendments were made as a result of our work or where we had to qualify our audit certificate or assurance report.

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

	Comments overleaf	Qualified	Significant adjustment	Minor adjustment	Unqualified
Public Sector Audit Appointments arrangements					
■ Housing Benefit Subsidy	1				
Other assurance engagements					
■ Teachers' Pension Return	2				
■ Pooling of Housing Capital Receipts Return	3				
		1	-	2	2

Summary of certification work outcomes

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

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Ref	Summary observations	Amendment
1	<p>Housing Benefit Subsidy</p> <p>Our initial testing of 60 cases identified two errors where the Council had used the outside of London cap of £375 rather than the inside of London cap of £500. The total error between the two cells on the claim form affected was £99. We tested an additional 40 cases for rent rebates for Non HRA tenants which is where the errors occurred and found no additional errors. If the Department was to use our extrapolated figure for the error, the Council's subsidy would increase by £2,750. There is no impact on the amount payable to claimants.</p> <p>As we identified errors in the calculation of self employed income for benefit purposes in 2013/14, with 35 errors found in total for our specific testing of 85 cases (41%), we tested the calculation of self employed income for benefit purposes for 126 cases this year. This testing identified 32 errors (25%) with four overpayments of housing benefits, 15 underpayments of housing benefits and 13 cases where there was no impact on the individual claim.</p> <p>It should be noted that 28 out of the 32 cases where errors were found did not impact on the amount of Housing Benefit Subsidy being claimed by the Council. Our extrapolation of the four overpayments totalled approximately £510,000. It should be noted that one of the errors was for £5,144 for the year where the self employed income included in the claim could not be substantiated and this accounted for £493,000 of the extrapolation. However, due to the Council being below their threshold for LA error and Administration delays, this is likely to have minimal effect on the subsidy claimed.</p> <p>The uncertified claim was submitted to KPMG by the deadline and the certified claim was submitted to the Department by their audit certificate deadline. Adjustments totalling £12,078 were made between the claim submitted to KPMG by the Council and the final signed claim. These related to manual errors in the compilation of the claim including transposition errors.</p> <p>As can be seen above, the percentage errors found on the calculation of self employed income for benefit purposes decreased from the previous year but remained high. The Council only became aware of the error rate in October/November 2014 and implemented actions to strengthen the controls by January 2015. To assess the impact of these changes we looked at the number of errors from our sample that arose in February and March 2015. We found that three errors had occurred in this period which is an improvement on the first ten months of the year but still not where the Council should be. This indicates the revised arrangements either weren't fully embedded or not operating as expected.</p> <p>The Council has provided a detailed response to our findings explaining the actions taken which we have included as Appendix 1.</p>	<p>Reduce amount claimed by £12,078</p>

Summary of certification work outcomes

This table summarises the key issues behind each of the adjustments or qualifications as well as generally observations.

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Ref	Summary observations	Amendment
2	Teachers' Pension Return <p>The uncertified return was submitted to KPMG by the deadline and the certified return to the Teachers' Pension Agency by their certification deadline. Individual teachers contribute to the scheme at different rates depending on their annual salary or pro rata annual salary for part time staff. Our initial analytical review identified there had been some unexplained movements between the bandings of different rates and our testing confirmed some part time staff were paying the incorrect rate. Officers identified that approximately 60 part time staff had been effected following the change to Oracle in August 2014. The error arose we understand due to how the new system grossed up part time hours. The return, which is the amount payable by the Council to Teachers' Pension Agency, was increased by £10,746. This is also the amount by which deductions for pension contributions from teachers have been incorrectly calculated.</p>	Increase payment by £10,746
3	Pooling of Housing Capital Receipts <p>The return was submitted to KPMG by the deadline. The supporting working papers provided were good and helped our work run smoothly. The return was unqualified and did not require any amendments.</p>	£Nil

Our fees for the Housing Benefit Subsidy claim are set by Public Sector Audit Appointments.

Our fees for other assurance engagements on returns are agreed directly with the Council.

The overall fees we charged for carrying out all our work on grants/returns in 2014/15 was £35,540

Breakdown of fees for grants and returns work

Breakdown of fee by grant/return		
	2014/15 (£)	2013/14 (£)
Housing Benefit Subsidy claim	29,540	27,753
Teachers' Pension Return	3,000	3,000
Pooling of Housing Capital Receipts*	3,000	2,245
Total fee	35,540	32,998

* The audit fee for this return was in 2013/14 set by Public Sector Audit Appointments and we had to comply with a different work programme than that which was required by the Department this year.

Public Sector Audit Appointments certification arrangements

Public Sector Audit Appointments set an indicative fee for our work on the Council's Housing Benefit Subsidy claim in 2014/15 of £29,540. Our actual fee was the same as the indicative fee set,

Grants subject to other assurance engagements

The fees for our assurance work on other returns are agreed directly with the Council. The Council provided the required working papers and addressed our queries that meant no additional fees were required.

We have given each recommendation a risk rating and agreed what action management will need to take.

Priority rating for recommendations

1 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.	2 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.	3 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.
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Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
Analytical reviews					
Teachers' Pension Return An analytical review of the breakdown within the return compared to the previous year and follow up of major movements would have identified the return was incorrect.	The amount of payment to be made to the Teachers' Pension Agency was incorrect.	1 Compare all grant claims and returns with the previous year and ensure any major movements are fully understood and valid.	2	Agreed. Subject to noting that the method of calculating the appropriate banding for part timers changed in April 2015	Mildred Philips HR Director Immediate
Financial systems					
Annual deduction rates Part time staff were allocated to the incorrect band for pension contributions.	Staff were having the wrong amount of pension contributions deducted from their salaries resulting in them underpaying their contribution.	2 Test check all payroll deductions on a regular basis especially when there are either system changes or changes in banding ranges or deduction rates.	2	Agreed	Mildred Philips HR Director Immediate

Prior year recommendations

We made three recommendations in our 2013/14 Certification of Grants and Returns Annual Report. Where recommendations have not yet been implemented fully we have detailed their current status below.

Prior year recommendation		Priority	Status as at November 2015	Management comments
Housing Benefits				
1	Review in detail the reasons for errors relating to self employed income calculations for benefit purposes and put in place arrangements to ensure all figures used in the calculation of self employed income are accurate and fully supported.	1	While our sample indicated the error rate had reduced, the Council needs to ensure the arrangements it put in place in January 2015 are embedded and operating as expected.	See attached Appendix 1 for detailed action taken.

Response to KMPG Grant Report

A brief overview of Subsidy audit findings and
follow up actions during the past two years

Russell Gibbs, Benefits Subsidy & Policy Manager



February 2016

Summary of Self Employed Errors & Remedial Actions

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2013/14 Subsidy Audit

Initial Findings

The findings of the 2013/14 Subsidy Audit identified weaknesses in the processing of Self Employed claims. The two key areas of weakness identified were as follows:

1. **Accurately recording the decision that was made, including the rationale behind the decision and what evidence it had been based upon:** A lack of clarity regarding what decision had been made in respect of income periods and expenses was a particular issue as was referencing where supporting documentation could be found.
2. **Consistent and thorough approach for recording allowable Self Employed Expenses:** Detailing which expenses had been allowed, what deductions had been made and what category that had been recorded against within the system was highly inconsistent.

Response

A corrective plan of action was produced to address any areas of weakness. The objective of this plan was to review and improve the controls designed to ensure the figures used in the calculation of self employed income were accurate and fully supported. This was essentially a 3-stage action plan that involved the creation of new controls, the briefing of staff on their implementation and compliance checking via the quality assurance framework. This plan was successfully implemented with the following key milestones

1. **22nd January 2015:**
 - Minimum Standard File Note creation tool designed, agreed and a tested
 - Self Employed Expense template designed, agreed and tested
2. **31st January 2015:**
 - All staff briefed on the mandatory use of the new Minimum Standard File Note and Self Employed Expense Template
3. **02nd February 2015:**
 - Minimum Standard File Note and Self Employed Expense Template live and subject to the quality assurance checking process
4. **31st March 2015:**
 - Minimum 10% check of the Self Employed caseload completed (396 claims eventually checked equating to 11.4%). This was a combination of full quality assurance checks on all aspects of assessments involving self employed customers and intervention work looking solely at the accuracy and supporting documents for self employed assessments

Results of the Minimum 10% Check

The checks completed were a combination of new assessments from February 2015 and cases that were in payment throughout 2014/15.

The results of that exercise are summarised in the table below:

Outcome	Number of cases	Percentage of total checked	Weekly error rate	Weekly entitlement
Case correct for subsidy audit purposes	361	91.2%	£0.00	£71,196.75
Case incorrect but with no financial impact	20	5.1%	£0.00	£3,961.66
Case incorrect and causing an overpayment	7	1.8%	£85.49	£1,551.86
Case incorrect causing an underpayment	8	2.0%	£0.00	£1,227.81
Total	396	100.0%	£85.49	£77,938.07

Notes to the table

- The number of cases where an error was identified that would fail at audit was 35 representing 8.8% of the total checked.
- However, in 20 of the cases, the error in the assessment, once corrected, did not affect entitlement. A further 8 cases led to an underpayment of Housing Benefit which are not used as part of the extrapolated error calculation for subsidy audit purposes.
- 7 cases were identified which had errors causing an overpayment of Housing Benefit. The total weekly error rate was £85.49 which was 0.11% of the total weekly entitlement in the sample.
- The total weekly entitlement of all self employed Housing Benefit cases is £750,810. Had the error rate discovered during the intervention work been applied to the total self employed population, the extrapolated error would have been £42,324 (full year figure).
- The results of the checking exercise indicated that the rate of errors was decreasing, though further work was planned during the second quarter to ensure that accuracy – and the standard of file note and supporting evidence – continued to improve.

Ongoing Monitoring: 2015/16

Monitoring Usage of Self Employed Controls/Resources

Throughout the first two quarters of 2015/16, analytics regarding the frequency with which officers accessed the Help & Guidance resources available to them was very promising, particularly with regards to Self Employed Income. The table below shows the top four items accessed by staff between February 2015 and the end of September 2015:

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Rank	Resource Accessed	Number of times accessed
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4	SE Procedures	118

It should be noted that the top two items accessed are relevant to all types of assessments carried out not just Self Employed claims. Therefore, from a topic specific perspective, Self Employed information and tools provided for benefit staff were being used more than any other.

Quality Assurance & Complaint Monitoring

Ongoing quality assurance work during the first two quarters of 2015/16 highlighted ongoing issues in the processing of Self Employed claims. Errors surrounding the recording of Self Employed expenses and the referencing of supporting documentation was improved and no longer appeared to be the core issue. However, decision making surrounding the provision of evidence, as well as inconsistencies in the levels of additional questioning for self employed income was highlighted. In addition to this, the issue of officers failing to deduct the relevant levels of notional national insurance was also causing errors, though this is a problem that has occurred sporadically over time.

In addition to the quality assurance work being carried out, monitoring of complaints also identified issues arising from the processing of Self Employed claims. Any errors identified by quality assurance checks or complaint monitoring were feedback to individuals and team leaders along with reminders of the correct processes and procedures that should be followed.

2014/15 Subsidy Audit

Findings

The initial testing of 60 claims did not result in any errors being identified in relation to Self Employed income. However, due to the errors identified in the 2013/14 Subsidy Audit, 40+ testing for Self Employed claims was carried out against all three areas of expenditure; meaning 120 Self Employed claims were tested in all.

This testing resulted in the detection of 34 errors - 59% of which impacted the level of benefit that should have been paid. This is detailed in the table below:

No Impact	Overpaid	Underpaid	Total
14	4	16	34
41%	12%	47%	100%

Further Analysis

Further analysis of the 34 claims highlighted that failing to deduct the correct levels of National Insurance or Tax was present 53% of the time, with the next most common error relating to expenses. It should be noted that some claims were subject to more than one type of error, which is the reason that the below table does not total 100%.

Error Type	%
Ni & Tax	53%
Expenses	29%
Income overstated	18%
Period	15%
Missing Documents	6%

However, of those 34 errors, only 3 errors fell between February and April 2016 - the point after which additional controls were implemented following the weaknesses identified in the 2013/14 Subsidy Audit. Furthermore, all 3 errors were such that they did not affect the level of benefit that should have been awarded.

Self Employed Policy & Procedure Review

Revised Policy

The findings of the 2014/15 Subsidy Audit, in relation to Self Employed incomes processed between February and April 2015, did not result in any errors that impacted the levels of benefit that had been awarded. However, the findings of the 2013/14 Subsidy Audit, coupled with ongoing monitoring of Self Employed claims during the first two quarters of 2015/16, led to the decision to carry out a fundamental review of Brent's Self Employed policies and procedures at the beginning of quarter 3.

A completely revised Self Employed policy was drafted by December 2015 and is presently in the process of being rolled out to staff; with all staff briefings due to be completed by the end of the first week in March 2016. The revised policy takes a simplified and risk based approach that is anticipated to significantly reduce the rate of error, making it no more prone to error than any other discrete area.

Interventions

A resource will be made available over the course of 2016/17 in order to carry out as many interventions as possible on existing Self Employed claims; ensuring that as high a proportion of these claims are assessed under the new policy and thus safeguarding against repeat issues in the 2016/17 Subsidy Audit.

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Action Plan to address the Audit findings from the 2013/14 Subsidy Claim

Audit recommendation: 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.

Objective	Activity	Milestones	Owner	Update for Audit Committee
To ensure that file notes for all self employed assessments are fully supported with necessary documentation which can be easily reviewed	Set up a template for filenotes to include the following mandatory features:- <ul style="list-style-type: none"> Officers required to explain assessment, using 'check boxes' and written explanations; Officers need to include direct references to supporting documentation; For self employed cases, officers required to complete a supplementary expenses spreadsheet (see below) 	22/01/15 - Template created, agreed and tested.	Russell Gibbs	Completed
		31/01/15 - All staff briefed on the new procedure for filenotes	Andy Monkley	Completed
		02/02/15 - Filenote used in Live	Andy Monkley	Completed
				<u>Notes</u> The filenote template has been created and all staff have been briefed. There were technical issues preventing access to the filenote creator, but these have been resolved. There have been 587 standard filenotes created during the last month. All new assessments will now have the standard filenote regardless of claim type.

To ensure that all self employed assessments include an expenses form to explain how assessable income for Housing Benefit has been derived and in particular, in respect of the deduction made in respect of expense items	Set up an expense template to include the following:- <ul style="list-style-type: none"> • Details of all expense items as declared by the customer and/or in the self employed accounts; • The percentage reduction used for personal use, where applicable; • The reason for taking that percentage reduction, and; • How this is to be recorded on Northgate (the system used for benefit assessments). 	22/01/15 - Template created, agreed and tested.	Russell Gibbs	Completed
		31/01/15 - All staff briefed on the new procedure for completing the expense spreadsheet	Andy Monkley	Completed
		02/02/15 - Spreadsheet used in Live	Andy Monkley	Completed
				<u>Notes</u> This was made live by the stated deadline. The expenses form has been completed 123 times within the last month, consistent with the number of self employed assessments during the period.
To ensure that all staff are aware of new processes and procedures	The following briefing activities to be undertaken:- <ul style="list-style-type: none"> • Staff briefing sessions to be delivered by the Policy Team; • Briefing notes to be circulated to all staff; • That briefing document and further guidance to be made available on the 	31/01/15 – staff briefing sessions completed.	Andy Monkley/ Collette Hamilton	Completed
		31/01/15 – briefing document to be circulated and made available on the BCS Information Hub	Andy Monkley/ Russell Gibbs	Completed

	Brent, and; Customer Services Information Hub.			
To ensure compliance to the new procedures for new assessment of self employed claims	<ul style="list-style-type: none"> • All new cases self employed assessments to be checked by the Quality Assurance Officers; • Feedback to be given on issues identified to staff and Team Leaders; 	31/01/15 – checking strategy for February and March to be agreed;	Andy Monkley	Completed
		10/04/15 – summary report produced for BMT	Andy Monkley	Completed – but briefed to BMT in May
	<ul style="list-style-type: none"> • Summary report of findings to be prepared for the Benefits Management Team (BMT) after 2 months' checking. • Quality report to be presented at Brent Customer Service Performance Board 	14/04/15 – presentation on self employed checking/quality to BCS Performance Board	Andy Monkley	This has not yet been presented to Performance Board, but members of the team have been briefed outside of that forum

To gain assurance for the accuracy of self employed claims for the 2013/14 subsidy audit	<ul style="list-style-type: none"> Intervention work to be carried out on 10% of current self employed claims to ensure accuracy and supporting evidence in place to audit standards. 	31/03/15 – 10% sample check of current self employed cases to be completed	Andy Monkley	Completed (see below – 396 checks done which represents 11.4% of the current caseload)
		14/04/15 – presentation on self employed checking/quality to BCS Performance Board	Andy Monkley	This has not yet been presented to Performance Board, but members of the team have been briefed outside of that forum

Lead officers involved

Andy Monkley Subsidy & Policy Manager

Collette Hamilton Customer Service Centre Manager

Russell Gibbs Subsidy Officer

Results of the intervention work

A total of 396 cases have been checked through a combination of full quality assurance checks on all aspects of assessments involving self employed customers and intervention work looking solely at the accuracy and supporting documents for self employed assessments. The checks completed are a combination of cases new assessments since February and cases that were in payment throughout 2014/15.

The current self employed caseload for Housing Benefit is 3,463; there are a further 319 self employed cases where Council Tax Support only is in payment (and that would not, therefore, be part of the Subsidy Audit process). The number of checks down, therefore, represents 11.4% of the Housing Benefit caseload.

The results are as follows:-

Outcome	Number of cases	Percentage of total checked	Weekly error rate	Weekly entitlement
Case correct for subsidy audit purposes	361	91.2%	£0.00	£71,196.75
Case incorrect but with no financial impact	20	5.1%	£0.00	£3,961.66
Case incorrect and causing an overpayment	7	1.8%	£85.49	£1,551.86
Case incorrect causing an underpayment	8	2.0%	£0.00	£1,227.81
Total	396	100.0%	£85.49	£77,938.07

Notes to the table

- The number of cases where an error has been identified that would fail at audit is 35 representing 8.8% of the total checked.
- However, in 20 of the cases, the error in the assessment, once corrected, did not affect entitlement. A further 8 cases led to an underpayment of Housing Benefit which are not used as part of the extrapolated error calculation for subsidy audit purposes.
- 7 cases were identified which had errors causing an overpayment of Housing Benefit. The total weekly error rate is £85.49 which is 0.11% of the total weekly entitlement in the sample.
- The total weekly entitlement of all self employed Housing Benefit cases is £750,810. If the error rate discovered during the intervention work to date were to be applied to the total self employed population, the extrapolated error would be £42,324 (full year figure).

The incidences of errors are decreasing, but further work is planned during the second quarter to ensure that accuracy – and the standard of file note and supporting evidence – continues to improve.

Andy Monkley

18 June 2015

Summary of Self Employed Errors & Remedial Actions

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2013/14 Subsidy Audit

Initial Findings

The findings of the 2013/14 Subsidy Audit identified weaknesses in the processing of Self Employed claims. The two key areas of weakness identified were as follows:

1. **Accurately recording the decision that was made, including the rationale behind the decision and what evidence it had been based upon:** A lack of clarity regarding what decision had been made in respect of income periods and expenses was a particular issue as was referencing where supporting documentation could be found.
2. **Consistent and thorough approach for recording allowance Self Employed Expenses:** Detailing which expenses had been allowed, what deductions had been made and what category that had been recorded against within the system was highly inconsistent.

Response

A corrective plan of action was produced to address any areas of weakness. The objective of this plan was to review and improve the controls designed to ensure the figures used in the calculation of self employed income were accurate and fully supported. This was essentially a 3-stage action plan that involved the creation of new controls, the briefing of staff on their implementation and compliance checking via the quality assurance framework. This plan was successfully implemented with the following key milestones

1. **22nd January 2015:**
 - Minimum Standard File Note creation tool designed, agreed and a tested
 - Self Employed Expense template designed, agreed and tested
2. **31st January 2015:**
 - All staff briefed on the mandatory use of the new Minimum Standard File Note and Self Employed Expense Template
3. **02nd February 2015:**
 - Minimum Standard File Note and Self Employed Expense Template live and subject to the quality assurance checking process
4. **31st March 2015:**
 - Minimum 10% check of the Self Employed caseload completed (396 claims eventually checked equating to 11.4%). This was a combination of full quality assurance checks on all aspects of assessments involving self employed customers and intervention work looking solely at the accuracy and supporting documents for self employed assessments

Results of the Minimum 10% Check

The checks completed were a combination of new assessments from February 2015 and cases that were in payment throughout 2014/15.

The results of that exercise are summarised in the table below:

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 Brent	Audit Committee 23 March 2016 Report from the Chief Finance Officer
For Information	
Wards affected: ALL	
Changes to arrangements for appointment of External Auditors	

1. Purpose of Report and Summary Points

- 1.1. This report summarises the changes to the arrangements for appointing External Auditors following the closure of the Audit Commission and the end of the transitional arrangements at the conclusion of the 2017/18 audits.
- 1.2. The Council will need to consider the options available and put in place new arrangements in time to make a first appointment by 31 December 2017.

2. Recommendations

- 2.1. The Audit Committee is recommended to note the three options available:
 - a) Establishing a stand-alone independent Auditor Panel to make the appointment on behalf of the Council;
 - b) Commencing work on exploring the establishment of local joint procurement arrangements with neighbouring authorities; and
 - c) Supporting the Local Government Association (LGA) in setting up a national Sector Led Body by indicating intention to “opt-in”.
- 2.2. The Audit Committee is recommended to note that option 2.1(c) is at this stage the preferred option, but that this does not commit the council at this stage.

- 2.3. Note that a further report should be brought to Cabinet in due course confirming the way forward and granting authority for the procurement.

3. Background to the issue

- 3.1. The Local Audit and Accountability Act 2014 brought to a close the Audit Commission and established transitional arrangements for the appointment of external auditors and the setting of audit fees for all local government and NHS bodies in England. On 5 October 2015 the Secretary of State Communities and Local Government (CLG) determined that the transitional arrangements for local government bodies would be extended by one year to also include the audit of the accounts for 2017/18.
- 3.2. The Council's current external auditor is KPMG, this appointment having been made under a contract let by the Audit Commission. Following closure of the Audit Commission the contract is currently managed by Public Sector Audit Appointments Limited (PSAA), the transitional body set up by the LGA with delegated authority from the Secretary of State CLG. Over recent years we have benefited from reduction in fees in the order of 50% compared with historical levels. This has been the result of a combination of factors including new contracts negotiated nationally with the firms of accountants and savings from closure of the Audit Commission. The Council's current external audit fees are £0.2m per annum.
- 3.3. When the current transitional arrangements come to an end on 31 March 2018 the Council will be able to move to local appointment of the auditor. There are a number of routes by which this can be achieved, each with varying risks and opportunities. Current fees are based on discounted rates offered by the firms in return for substantial market share. When the contracts were last negotiated nationally by the Audit Commission they covered NHS and local government bodies and offered maximum economies of scale.
- 3.4. The scope of the audit will still be specified nationally and the National Audit Office (NAO) is responsible for writing the Code of Audit Practice which all firms appointed to carry out the Council's audit must follow. Not all accounting firms will be eligible to compete for the work; they will need to demonstrate that they have the required skills and experience and be registered with a Registered Supervising Body approved by the Financial Reporting Council. The registration process has not yet commenced and so the number of firms is not known but it is reasonable to expect that the list of eligible firms may include the top 10 or 12 firms in the country, including our current auditor. It is thought unlikely that small local independent firms will meet the eligibility criteria.

4. Options for local appointment of External Auditors

- 4.1. There are three broad options open to the Council under the Local Audit and Accountability Act 2014 (the Act):

Option 1 To make a stand-alone appointment

- 4.2. In order to make a stand-alone appointment the Council will need to set up an Auditor Panel. The members of the panel must be wholly or a majority independent members as defined by the Act. Independent members for this purpose are independent appointees, this excludes current and former elected members (or officers) and their close families and friends. This means that elected members will not have a majority input to assessing bids and choosing which firm of accountants to award a contract for the Council's external audit. A new independent auditor appointment panel established by the Council will be responsible for selecting the auditor.

Advantages/benefit

- 4.3. Setting up an auditor panel allows the Council to take maximum advantage of the new local appointment regime and have local input to the decision.

Disadvantages/risks

- 4.4. Recruitment and servicing of the Auditor Panel, running the bidding exercise and negotiating the contract is estimated by the LGA to cost in the order of £15,000 plus on going expenses and allowances. It is also unclear whether the council will be able to attract sufficient individuals with the requisite skills and experience to undertake the role. Recent adverts for the independent chair of the audit committee and pensions board (which roles require a broadly similar level of skill and experience) have not attracted significant numbers of qualified applicants.
- 4.5. The Council will not be able to take advantage of reduced fees that may be available through joint or national procurement contracts.
- 4.6. The assessment of bids and decision on awarding contracts will be taken by independent appointees and not solely by elected members.
- 4.7. There is a more fundamental issue. Selecting one's own external auditor may seem superficially attractive, but many would argue that it creates risk of conflict of interest and does not promote best governance. Independent appointment of the auditor provides a separation which strengthens any audit findings especially if they are positive. Whilst the creation of an independent auditor appointment panel is intended to create this independence it is unclear the extent to which it would in practice achieve this.

Option 2 Set up a Joint Auditor Panel/local joint procurement arrangements

- 4.8. The Act enables the Council to join with other authorities to establish a joint auditor panel. Again this will need to be constituted of wholly or a majority of independent appointees (members). Further legal advice will be required on the exact constitution of such a panel having regard to the obligations of each Council under the Act and the Council need to liaise with other local authorities to assess the appetite for such an arrangement.

Advantages/benefits

- 4.9. The costs of setting up the panel, running the bidding exercise and negotiating the contract will be shared across a number of authorities.
- 4.10. There is greater opportunity for negotiating some economies of scale by being able to offer a larger combined contract value to the firms.

Disadvantages/risks

- 4.11. The decision making body will be further removed from local input, with potentially no input from elected members where a wholly independent auditor panel is used or possible only one elected member representing each Council, depending on the constitution agreed with the other bodies involved.
- 4.12. Although this creates more separation and independence and hence reduces the risk of conflict of interests set out in paragraph 4.7 it does not wholly remove the issue.
- 4.13. The choice of auditor could be complicated where individual Councils have independence issues. An independence issue occurs where the auditor has recently or is currently carrying out work such as consultancy or advisory work for the Council. These issues could be overcome through the procurement process, but might be somewhat complicated to resolve, and the choice of partner councils would be critical.

Option 3 Opt-in to a sector led body

- 4.14. In response to the consultation on the new arrangement the LGA successfully lobbied for Councils to be able to 'opt-in' to a Sector Led Body (SLB) appointed by the Secretary of State under the Act. An SLB would have the ability to negotiate contracts with the firms nationally, maximising the opportunities for the most economic and efficient approach to procurement of external audit on behalf of the whole sector.

Advantages/benefits

- 4.15. The costs of setting up the appointment arrangements and negotiating fees would be shared across all opt-in authorities
- 4.16. By offering large contract values the firms would be able to offer better rates and lower fees than are likely to result from local negotiation

- 4.17. Any conflicts at individual authorities would be managed by the SLB who would have a number of contracted firms to call upon.
- 4.18. The appointment process would not be ceded to locally appointed independent members. Instead a separate body set up to act in the collective interests of the 'opt-in' authorities. The LGA are considering setting up such a body utilising the knowledge and experience acquired through the setting up of the transitional arrangements. This therefore resolves the point about conflict and governance that arises from local appointment.

Disadvantages/risks

- 4.19. Individual elected members will have little or no opportunity for direct involvement in the appointment process other than through the LGA and/or stakeholder representative groups.
- 4.20. In order for the SLB to be viable and to be placed in the strongest possible negotiating position the SLB will need Councils to indicate their intention to opt-in before final contract prices are known.
- 4.21. Rates may be set at a national level, which could arguably involve a degree of cross-subsidy from larger authorities to smaller ones. It is difficult at this stage to estimate what, if any, would be the impact of this for Brent.

5. The way forward

- 5.1. The Council have until December 2017 to make an appointment. In practical terms this means one of the options outlined in this report will need to be in place by spring 2017 in order that the contract negotiation process can be carried out during 2017.
- 5.2. The LGA are working on developing a Sector Led Body. In a recent survey, 58% of respondents expressed an interest in this option. Greatest economies of scale will come from the maximum number of councils acting collectively and opting-in to a SLB. In order to the strengthen the LGA's negotiating position and enable it to more accurately evaluate the offering the Council is asked to consider whether it is interested in the option of opting in to a SLB. A formal decision to opt-in will be required at a later stage.

6. Risk Management

- 6.1. There is no immediate risk to the Council, however, early consideration by the Council of its preferred approach will enable detailed planning to take place so as to achieve successful transition to the new arrangement in a timely and efficient manner.

- 6.2. Providing the LGA with a realistic assessment of our likely way forward will enable the LGA to invest in developing appropriate arrangements to support the Council. It will not commit the council to a particular course of action, and a subsequent decision will, in due course, be required by Cabinet.

7. Legal implications

- 7.1. Section 7 of the Local Audit and Accountability Act 2014 (the Act) requires a relevant authority to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year. Section 8 governs the procedure for appointment including that the authority must consult and take account of the advice of its auditor panel on the selection and appointment of a local auditor. Section 8 provides that where a relevant authority is a local authority operating executive arrangements, the function of appointing a local auditor to audit its accounts is not the responsibility of an executive of the authority under those arrangements;
- 7.2. Section 12 makes provision for the failure to appoint a local auditor: the authority must immediately inform the Secretary of State, who may direct the authority to appoint the auditor named in the direction or appoint a local auditor on behalf of the authority.
- 7.3. Section 17 gives the Secretary of State the power to make regulations in relation to an 'appointing person' specified by the Secretary of State. This power has been exercised in the Local Audit (Appointing Person) Regulations 2015 (SI 192) and this gives the Secretary of State the ability to enable a Sector Led Body to become the appointing person.

8. Financial Implications

- 8.1. Current external fees levels are likely to increase when the current contracts end in 2018. As set out in paragraph 3.3, this is because the current contracts were let with greater economies of scale than are likely to be the case in the future, due to the inclusion of NHS bodies. This is likely to be relevant whichever option is selected.
- 8.2. There are some costs associated with the procurement, regardless of the route chosen, but it is reasonable to assume that these will be lower under the LGA SLB approach. The cost of establishing a local or joint Auditor Panel would also need to be taken into account if the members of that were to be remunerated.
- 8.3. However, in a contract of this nature the financial evaluation would usually be weighted less heavily than in some other procurements. External audit provides a vital element of the council's governance framework, and the cost differentials between the different options are unlikely to be so large as to be the determining factor.

9. Conclusion and Next Steps


- 9.1. The Council will need to take action to implement new arrangements for the appointment of external auditors from April 2018. In order that more detailed proposals can be developed the Council/Committee is asked to give early consideration to the preferred approach.
- 9.2. The Council has been asked by the LGA for an indication of the preferred approach in order that it can invest resources in providing appropriate support to Councils. The LGA is strongly supportive of the SLB approach as it believes this offers best value to Councils by reducing set-up costs and having the potential to negotiate lowest fees.

Background Papers

Contact Officers

Conrad Hall
Chief Financial Officer

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 Brent	Audit Committee 23 March 2016 Report from the Chief Finance Officer
For Information	
Wards Affected: ALL	
Report Title: Internal Audit & Counter Fraud Progress Report for the period 1 November 2015 – 29 February 2016	

1. Purpose of the Report

- 1.1 This report provides an update on the progress made against the delivery of the audit plan up to the 29 February 2016. The report further provides the Audit Committee with any key findings and agreed management comments to address areas of control weaknesses.
- 1.2 Further, the report also provides a summary of counter fraud work for the first three quarters of 2015/16 including January 2016.

2. Recommendations




- 2.1. That the Audit Committee notes the progress made in achieving the 2015/16 Internal Audit Plan and the review of fraud work.

3. Detail

- 3.1. The Internal Audit Plan for 2015/16 comprises 996 days. 590 days will be delivered by Mazars. The in-house resource will deliver a further 406 days.
- 3.2. The key points to note with regards to progress for the current year are:
 - There are 79 internal audit assignments included within the agreed 2015/16 plan (excluding follow up and advisory work). Work has commenced on 63 of these.
 - Twenty seven assignments have been completed to draft or final stage since the last report to the Audit Committee Team in January 2016 (fifty one for the year to date). Of the twenty seven assignments, twenty five had an assurance opinion associated with them and two were in respect of non-assurance work including the certification of a grant claim.

Please see summary below:

Table 1 – Summary of Audits Completed Since last audit report

Total Number of Audits Completed	Substantial 	Limited 	None 	Non Assurance
27	14	8	3	2

- 3.3 A number of changes have had to be made to the original audit plan approved by members. This has been partly due to structural changes within some departments, or system changes because the proposed assignments were similar to audits recently undertaken. Where assignments were removed, the consequent available resources were re-allocated. The key changes to the plan are set out below:

Table 2 – Planned Assignments Withdrawn from original plan

Audit		
Home Care Contract – ASC Department	10	Area had been subject to a recent review as a result of changes in delivery mechanism.
Public Realm Contract – COO Department	10	Area had been subject to a recent similar review.
Adoption & Special Guardianship Orders and Payments	15	Area had been subject to a recent non-assurance review
March 2016 Troubled Families Claim	5	No claim to be submitted in March
S17 Payments	15	Service is undergoing a restructure and realignment
Care Act Contingency	20	Not required.
IT Contingency	30	Not required
Multi-agency data exchange	10	Covered as part of Safeguarding Audits
Total	115	

Table 3 – Assignments Added to original plan

Audit		
DFG Grant Determination Certification	2	Grant required to be signed off by Head of Audit & Investigations.
Pre audit verification – Information Governance	5	Audit work to prepare for visit from Information Commissioner's Office
Schools – Leadership Pay and Summary Report for Schools	5	Requested by Chief Finance Officers and Schools
Health & Safety & Other Projects	30	Requested by Chief Finance Officer and Strategic Director of Regeneration & Environmental Services
Total	42	

A summary of progress is set out in table four below:

Table 4 – Delivery Status as at 29 February 2016

Delivery Status	
Total days in the plan	996
Number of days delivered to date	681
% of days delivered to date	68%
Days to be delivered	315
Total number of reports to be delivered in current plan	79
Number of draft/final reports/certifications issued to date	51
% of reports issued to date	65%

- 3.4. The Audit Committee should note that 30% of the planned audit days are yet to be delivered. There are a number of reasons for this:
- A number of audits in the original plan were postponed until the last quarter of the year at the request of management;
 - Eight audits have had to be withdrawn from the plan as indicated in Table 2 above;
 - The plan was resourced based on the availability of a graduate trainee as part of the in-house resource. However, this resource was unavailable for four months during the year.

The majority of outstanding work will be progressed in March with the assistance of the internal audit contractor. However, successful delivery assumes that the auditees are able to respond to requests for information within the appropriate timescales.

- 3.5. The Audit Committee should also note that audits in the last quarter show persistent issues with some schools. It is expected that proposed change in the approach to school audits planned in 2016/17 to more thematic based audits will to some extent address some of these concerns. We will continue to work with the Children & Young People's department to improve the internal control environment within schools.

3.6. Follow Up of 2014/15 Audit Recommendations

The Public Sector Internal Audit Standards requires the Chief Audit Executive (the Head of Audit & Investigation) to establish a process to monitor and follow up management actions to ensure that they have been actively implemented or that senior management have accepted the risk of not doing so.

Of the 228 Priority 1 and 2 recommendations arising from 2014/15 audits and due to be implemented by 29th February 2015, 158 had either been fully or partly implemented and 16 had yet to be implemented. We were unable to determine the status of 54 recommendations because responsible officers had still to update the relevant details on Infostore.

As will be noted from the table below, some action plans agreed by management as

part of the audit process are not being completed effectively and on a timely basis. Some officers are not updating the status of the implementation of recommendations on Infostore as part of the self-assessment process agreed with management.

Table 5 – Status of 2014/15 Priority 1 and 2 Recommendations

Total Number of Recommendations	Total	% Implemented	Partly Implemented	Not implemented	Status Unknown
Priority 1	78	64%	6%	8%	22%
Priority 2	150	63%	6%	7%	24%
Total	228	64%	6%	7%	23%

Internal Fraud

- 3.7. 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 first quarter of year to date is shown in table five below:

Table 6 – Internal Fraud 2015/16

Internal	2015/16 including Jan/Feb 2016	2014/15
Open Cases b/f	11	21
New Referrals	42	41
Closed Cases	31	51
Fraud / Irregularity identified	9	17
Dismissal	3	5
Resignation/Officer Left	4	7
Warning	1	5
Open cases carried c/f	22	11

- 3.8. It should be noted that there has been an increase in internal fraud cases specifically identified via the National Fraud Initiative (NFI) data matching exercise. These relate to matches which suggest that staff are claiming housing benefit which they may not be entitled to. These cases are currently being subject to further assessment by the Department of Works & Pensions (DWP) to confirm whether they are due to fraud or error.

Housing Tenancy Fraud

- 3.9. Recovery of social housing properties has a significant impact upon the temporary accommodation budget. The Audit Commission has previously estimated that the average value, nationally, of each recovered tenancy is £18,000. Caseload information is set out in table six below.

Table 7 – Housing Fraud 2015/16

Housing Fraud	2015/16 including Jan / Feb 2016	2014/15
Open cases b/f	150	77
New Referrals	234	380
Closed Cases	258	307
Fraud Found	68	61
Recovered Properties Brent	58	51
Applications Refused	2	4
Property Size Reduced (Rehousing)	5	5
Right to Buy Stopped	3	0
Value of properties recovered*	£1,044,000	£918,000
Value of Right to Buy Discount prevented**	£281,600	0
Value of Property Size Reduced	£90,000	£90,000
Open cases c/f	161	150
Cases with Legal for Possession	18	25

*Notional value of recovered properties is £18,000

** Actual amount of discount stopped

Actual value of housing fraud identified to date is £1,415,600

Other External Fraud

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

Table 8 – Other External Fraud 2015/16

Other External Fraud	2015/16 including Jan / Feb 2016	2014/15
Open cases b/f	18	24
New Referrals	93	65

Closed Cases	59	71
Fraud / Irregularity	6	22
Prosecution	0	1
Warning / Caution	3	2
Overpayment Identified	3	19
Open cases carried c/f	52	18

- 3.11. There has been an increase in new referrals due to the start of a new Service Level Agreement (SLA) with Revenues and Benefits Service with regards to council tax reduction referrals. Fifty plus referrals are in respect of Council Tax Reduction Scheme (CTRS) and are awaiting Revenues & Benefits approval.
- 3.12. A blue badge fraud operation was carried out in partnership with the Police and Parking Enforcement in February 2016. Two blue badges were seized for being misused and two vehicles were lifted due to the use of counterfeit badges operation.
- 3.13. As a result of NFI data matching 272 blue badges were cancelled and records updated. The notional value of these cancellations is £136,000 (£500 per badge).

4. Financial Implications

- 4.1. The total value of the audit contract with Croydon Council, delivered by Mazars, is £192,000 in the current year and is funded within the Audit and Investigations base budget.

5. Legal Implications

- 5.1. None

6. Diversity Implications

- 6.1. None

7. Background Papers

- 7.1. None

8. Contact Officer Details

Steve Tinkler, Head of Audit & Investigation, Civic Centre, First Floor West.
Telephone –07525 893458

Conrad Hall
Chief Finance Officer



**Internal Audit
Progress Report 1 November 2015– 29
February 2016
London Borough of Brent
March 2016**

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Executive Summary

Introduction	<p>This report sets out a summary of the work completed against the 2015/16 Internal Audit Plan, including the assurance opinions awarded and any high priority recommendations raised.</p> <p>Those audits reported on at previous meetings have been removed, but reference can be made to the full list of assurance opinions in the cover report.</p>
Summary of Work Undertaken	<p>The Final Reports in respect of the 2015/16 period and issued since the last meeting relate to the following areas, with further details of these provided in the remainder of this report:</p> <ul style="list-style-type: none">• Trading Standards• Private Sector Procurement – Private Rented Sector Offer)• Development & Planning Control• Disabled Facilities Grant & Private Sector Renewal• GL & Cash Management• Home to School Transport• Chalkhill Primary• Wykeham Primary School• Mora Primary School• Leopold Primary School• Salusbury Primary School• Brentfield Primary School

Detailed summary of work undertaken

FULL / SUBSTANTIAL ASSURANCE REPORTS: 2015/16

Audit	Assurance Opinion and Direction of Travel
General Audits	
Trading Standards	
Private Sector Procurement – Private Rented Sector Offer	
Development & Planning Control	
Disabled Facilities Grant and Private Sector Renewal	
GL & Cash Management	
Schools	
Chalkhill Primary School	

Audit	Assurance Opinion and Direction of Travel
Wykeham Primary School	
Mora Primary School	

Substantial Assurance Reports – General Audits

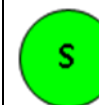
For all Substantial and Limited Assurance reports, we have included a brief rationale, together with details of any **priority 1** recommendations raised, including the agreed actions to be taken and deadlines for implementation. These are the key audits and recommendations which the Committee should 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 Committee.

DEVELOPMENT & PLANNING CONTROL

Local planning authorities are also responsible for development management. This includes making planning decisions, complying with the law about publicising, consulting on and determining most applications for planning permission, taking into account the opinions of local people and others. They can also offer pre-application advice to prospective developers and enforce planning laws in their area. Appeals against refusal of planning permission and inquiries are dealt with by the Planning Inspectorate.

In Brent, the Planning Service is responsible for deciding whether a proposed development should be allowed. Most new buildings, major alterations to existing buildings and significant changes to the use of a building or piece of land need planning permission. The Planning Service is also responsible for determining prior notification and prior approval applications.

Two priority 1 and four priority 2 recommendations were raised as a result of this audit. The two priority 1 recommendations are set out below.



Recommendation	Management Response / Responsibility / Deadline for Implementation
<u>Timeliness of Decisions on Applications</u> The Head of the Planning Service should ensure that officers within the Planning Service are reminded that applications must be determined within the statutory timescales.	Agreed. Head of Planning and Area Team Managers / 31 December 2015
<u>Appeal Questionnaires</u> Management should ensure that officers within the Planning Service complete and submit appeal questionnaires to the Planning Inspectorate within the prescribed timescales (i.e. 5 working days of	Agreed. Head of Planning and Area Team Managers / 31 December 2015

Recommendation	Management Response / Responsibility / Deadline for Implementation
<p>receipt). Officers should also be reminded to upload copies of the completed questionnaires onto Acolaid. The timeliness of submission of appeal questionnaires should be monitored so that questionnaires not submitted within the deadlines can be identified and appropriate action taken.</p>	

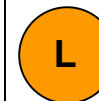
LIMITED ASSURANCE REPORTS – General Audits

Home To School Transport

The Education Act 1996 as amended requires local authorities to make suitable travel arrangements for eligible children as they consider necessary to facilitate attendance at school. The London Boroughs of Barnet, Brent, Ealing, Harrow and Hounslow within the West London Alliance (WLA) have joined together in forming a policy for Travel Assistance for Children and Young People. The policy has been developed to help ensure a consistent approach is taken in providing travel assistance for children and young people attending school/college. The aim of this collaborative approach is to ensure that regardless of where the child lives, within the WLA region, the level of service received is consistent, the service experience is the same and the most efficient, effective and suitable travel assistance is provided. At the heart of this approach there are two key principles which underpin a culture of providing travel assistance, promoting independence and maintaining quality of life. By working in partnership with parents, children and young people, schools and the voluntary sector, all of the Councils hope to secure the right option for each child so they are better prepared to enter adulthood confidently as active participants in society.


Areas of key weaknesses included: processing of applications for Home to School Transport, ensuring transportation staff and contracts have been vetted and ensuring evidence of pupil attendance prior to approval of mileage expenses.

Two priority 1, seven priority 2 and one priority 3 recommendations were raised as a result of this audit. The three priority 1 recommendations are set out below.



Recommendation	Management Response / Responsibility / Deadline for Implementation
Applications – Successful Applications All applications for Home to School Transport should be retained on file together with the appropriate supporting documentation. Applications should not be processed without the necessary application and supporting documentation.	Agreed. Head of Special Education Needs (SEN) & Travel Officer / Immediate
Verification & Authorisation of Payments (Priority 1) Evidence of pupil attendance should be provided prior to the approval of all Oyster or mileage expenses.	Agreed. Head of Special Education Needs (SEN) & Travel Officer / Immediate

LIMITED/NIL ASSURANCE REPORTS – Schools


SALUSBURY PRIMARY SCHOOL	
Nine priority 1 and six priority 2 were raised as a result of this audit. The nine priority 1 recommendations are set out below.	

Recommendation	Management Response / Responsibility / Deadline for Implementation
<u>Governance</u> The School should review and update the instrument of government to ensure it is in line with the current governance structure within the School. Furthermore, the School should ensure that surplus governors are removed in order to ensure compliance with the School Governance Constitution Regulations.	Agreed. School Business Manager to review and amend the Governing Body Membership to mirror the Instrument of Governance. Any surplus governors will be removed. School Business Manager / 31st December 2015
<u>Budget Monitoring</u> The School Business Manager and Head Teacher should ensure that the unsigned budget monitoring report is signed off and all reports are signed off by both officers going forward. As part of the budget setting process the income and expenditure should be profiled over the 12 month financial period.	Agreed. Monthly profiling is not yet in place due to limitations of current software. Introduction of alternative budget monitoring software which is an integral part of the accounting software to allow detailed monthly profiling and reporting. SIMS Reporting Suite has already been trialled by School Business Manager. Introduction of new software being investigated - to be agreed and set up for new financial year. School Business Manager / 31st March 2016

Recommendation	Management Response / Responsibility / Deadline for Implementation
<p><u>Procurement</u></p> <p>The School should ensure that going forward, all procurement of contracts is in accordance with the Schools and corporate financial regulations and contract standing orders and that where appropriate guidance is obtained from corporate procurement. The procurement decisions should be approved by the Governing Body.</p>	<p>Agreed. All contracts scrutinised including Julius Rutherford were procured prior to current finance team being in post.</p> <p>Robust procurement process is now in place and discussed with auditors. Guidance has been sought from Brent regarding procurement processes. Additionally an external procurement service has been utilised to ensure compliance with regulations.</p> <p>Procurement process is now in place.</p> <p>School Business Manager / Implemented</p>
<p><u>Debit Card</u></p> <p>The School should ensure that the existing debit cards are cancelled as a matter of priority and that the School should seek guidance from School's Finance as to the feasibility of obtaining a Government Procurement Card.</p>	<p>Agreed. Application for procurement card is with our bankers to replace debit cards.</p> <p>Finance Officer / 31st December 2015</p>
<p><u>Income Procedures</u></p> <p>Pre-numbered receipts should be issued for all income collected by the School, and reconciled against income registers and cash collected by the School prior to banking. Evidence of this should be retained by the School. In addition, income registers should be maintained for all income received and include date of income collected, officer receiving payment, amount paid, payee, receipt reference, paying in slip reference, and date banked. All income received should be counted and verified by two officers present. Lastly, the School should ensure that there is a segregation of duties for the collection and banking of income.</p>	<p>Agreed. Robust income processes to be in place for all income streams and will include the use of income registers.</p> <p>School Business Manager / 31st December 2015</p>
<p><u>Payroll</u></p> <p>The School should ensure that a HR policy is formulated and implemented that outline all the key procedures surrounding the</p>	<p>Agreed. A HR policy will be in place by and submitted for approval by the FC on 13th January 2016.</p>

Recommendation	Management Response / Responsibility / Deadline for Implementation
<p>payroll process. In particular the policy should include the requirement for members of staff to notify the School's HR if they have opted out of the Pension scheme.</p> <p>The School should ensure that the Pay Review Committee document the outcomes and decisions made for all meetings.</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 right to work in the UK; • Evidence of qualifications having been obtained; and • Evidence of two references having been obtained. <p>The School should ensure that leavers' forms are completed and provided to Payroll for all leavers in a timely manner.</p>	<p>School Business Manager / 13th January 2016</p> <p>Agreed. Minutes and supporting documents will be in place moving forward. Clerk to Governing Body / Immediate</p> <p>Agreed. Minutes and supporting papers will be in place moving forward. Pay Review Committee Chair & School Business Manager/ 31st October 2015</p> <p>Agreed. The historical review of all personnel files is almost complete and missing paperwork will be obtained where possible. A check list is now being used to eliminate missed documentation moving forward.</p> <p>Human Resources Officer / Implemented</p> <p>Agreed.</p> <p>Finance Officer & HR Officer / Implemented</p>
<p><u>Unofficial Fund</u> The Unofficial Fund should be audited annually and the auditor's report should be presented to the Governing Body on an annual basis. Given that the annual turnover exceeds £20,000 for the School's</p>	<p>Agreed. School Business Manager is working with the Finance Committee to appoint an independent registered auditor. This account is being used less and less – moving forward</p>

Recommendation	Management Response / Responsibility / Deadline for Implementation
unofficial accounts, the accounts should be audited by an independent registered auditor.	we would not expect the turnover to exceed £20k. School Business Manager & Finance Committee / 30th December 2015
<p><u>Asset Register</u></p> <p>The School should develop an asset register. The asset register should include as a minimum the following information:</p> <ul style="list-style-type: none"> • Item description; • Model; • Purchase price and/or current value (if relevant); • Date of purchase; • Serial number (if relevant); • Location; and • Security marking reference. <p>The asset register should be reviewed at least on an annual basis, and should be updated with new items added onto the register or items removed from the register on a regular basis.</p> <p>A policy should be developed for assets and disposals, including the policy for removing assets off site, maintenance of the register and any limits for items within the register.</p>	<p>Agreed.</p> <p>School Business Manager working with Facilities. New asset register is now in place for recording of assets and disposals in line with Brent's Financial Regulations. Completion of historical data is ongoing. The policy /register will be reviewed and approved by the Finance Committee.</p> <p>SBM – Register in now in place – ongoing in relation to compilation of historical data.</p> <p>Finance Committee / 13th January 2016</p>
<p><u>Petty Cash</u></p> <p>The School should ensure that appropriately detailed petty cash procedures are developed and these should be approved by the Governing Body. Petty cash should be reconciled on a monthly basis, alongside frequent cash counts and these should be signed off and dated by two officers. The School should either eliminate petty cash within School or petty cash should be transferred to the main bank account as a matter of priority.</p>	<p>Agreed.</p> <p>Frequent checks and monthly reconciliations now in place. School to consider eliminating petty cash from unofficial funds and set up a facility on the main bank account. Cash procedures will be included in the School's Financial Procedures Document.</p> <p>Finance Officer & Finance Committee / 13th January 2016.</p>

LEOPOLD PRIMARY SCHOOL	
Five priority 1; seven priority 2 and four priority 3 recommendations were raised as a result of this audit. The five priority 1 recommendations are set out below.	

Recommendation	Management Response / Responsibility / Deadline for Implementation
<p><u>Minutes of Meetings and Approval of Documents</u></p> <p>Meetings of the Governing Body and its committees should be properly minuted to explicitly record decisions and approvals of the governing body and to reflect presentation of reports including the following:</p> <ul style="list-style-type: none"> • The adoption of the Council's Financial Regulations; • The approval of the Scheme of Delegation; • The approval of the draft and final budget; • The approval of School's Charging & Remissions Policy; • The approval of the staffing structure; • The approval of the Pay policy. 	<p>Agreed.</p> <p>The Senior Leadership Team and Governing body are currently assessing the standard of minutes produced by the Clerk to the Governing Body, Mr John Bryant.</p> <p>Head teacher / 30th April 2016</p>
<p><u>Purchasing Procedures</u></p> <p>Controls over the purchasing of goods and services should be made more robust by ensuring that the following controls are implemented:</p> <ul style="list-style-type: none"> • Proper VAT invoices should be obtained which include the following: <ul style="list-style-type: none"> ➢ an invoice number, ➢ supplier's name and address, ➢ supplier's VAT number; ➢ invoice date; ➢ tax point; 	<p>Agreed.</p> <p>Two suppliers who were identified (Azteq Solutions & Interfix Washrooms have already been notified of this, and in future the School Business Manager (SBM) will inspect each invoice to ensure it contains all correct information.</p> <p>School Business Manager / Immediate</p>

Recommendation	Management Response / Responsibility / Deadline for Implementation
<ul style="list-style-type: none"> ➤ customer's name and address; ➤ description sufficient to identify the goods or services supplied to the customer; ➤ unit price excluding VAT; ➤ quantity of goods or the extent of services; ➤ rate of VAT that applies to goods or services being purchased; ➤ total amount payable excluding VAT rate of any cash discount; ➤ total amount of VAT charged. • Invoices should be paid within 30 days of receipt. • Purchase orders should be raised in advance for all non-utility goods and services. 	
<p><u>Income – Pre-numbered Receipts, Income Registers, Transfer of Income, Banking of Income and Reconciliation of Income</u></p> <p>The Head teacher should ensure that pre-numbered receipts are issued for all income collected by the School.</p> <p>Income registers should be sufficiently detailed and include at least the following information:</p> <ul style="list-style-type: none"> • Date income received; • Officer receiving payment; • Amount received; • Payee details; • Payment method; • Receipt reference; • Paying in slip reference; and • Date banked. <p>The School Business Manager should ensure that a record of income passed onto the Administration Manager for banking is maintained.</p>	<p>Agreed.</p> <p>Receipts are currently issued to parents for lunch money and nursery fees. We have already implemented a system whereby all income passed to the Admin Manager is recorded in a register, and in future receipts will also be issued for other cash income . The Summer Club Manager has been reminded that cash should never be used for spending and all income should be banked intact. All income passed shall be signed off in future.</p> <p>School Business Manager/Admin Manager/Finance Officers / Implemented</p>

Recommendation	Management Response / Responsibility / Deadline for Implementation
<p>All income collected should be banked intact and not used to fund any expenses. A petty cash account should be maintained to pay for minor or emergency expenses.</p> <p>The School Business Manager should ensure that evidence of a reconciliation between the income collected and income to be banked is maintained or retained. This could be in the form of a sign off.</p>	
<p><u>School Uniforms</u></p> <p>The School Business Manager should ensure that school uniform stock records are maintained by the School.</p> <p>Regular stock counts should then be also undertaken with records from physical counts compared against stock records. Where any discrepancies are identified, they should be investigated. Ideally the stock count should be undertaken by a person independent of the purchasing and selling of stock.</p>	<p>Agreed.</p> <p>A uniform stock check has already been carried out and will be repeated each term.</p> <p>Admin Manager / Implemented</p>
<p><u>Employment Status Checks</u></p> <p>The School should take steps 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>Copies of insurance certificates should be obtained for the relevant individuals claiming to be self-employed and these should be retained with their completed employment status questionnaire</p>	<p>Agreed.</p> <p>This has been rectified for some individuals highlighted in the audit, and will be strictly implemented in future.</p> <p>School Business Manager / Immediate</p>

BRENTFIELD PRIMARY SCHOOL	
Four priority 1 and eighteen priority 2 recommendations were raised as a result of this audit. The four priority 1 recommendations are set out below.	

Recommendation	Management Response / Responsibility / Deadline for Implementation
<u>Approval of Policies</u> The school should ensure that the School's Financial Policy & Procedures, Charging and Remissions Policy, lettings Policy; and Management of Assets Policy are approved by the full Governing Body at the next available meeting and that the documents are then reviewed on an annual basis.	Agreed. To be reviewed at next GB meeting in March 2016. Governing Body / 31st March 2016
<u>Procurement</u> Quotes should be obtained in line with the School's Financial Policies and Procedures and the Council's Financial Regulations for Schools (section 7.3). A copy of the quotes should be retained. Where it is not possible to obtain the required number of quotes, a waiver to the regulations should be sought as evidence of this should be retained if approved. All high value procurement decisions should be made in line with the School's Scheme of Delegation and the relevant approval should be recorded in the respective meeting minutes.	Agreed. We now have a Procurement and Contracts register in place. Implemented.
<u>Income Collection</u> An income collection policy, which includes appropriate segregation of duties and debt recovery procedures, should be drafted and presented to the Governing Body for review and approval. All income received by the School should be recorded onto an income register at the point it is received, and should be banked promptly and intact. Outstanding debts should be followed up in a timely manner.	Agreed. To be reviewed at the next Governing Body in March 2016. Governing Body / 31st March 2016

Recommendation	Management Response / Responsibility / Deadline for Implementation
<p><u>Group Size and Individual School Range</u></p> <p>The School should contact the Council's School's Finance team to determine the current group size of the School. Once determined, an ISR should be set fir the Head Teacher at seven consecutive points on the leadership pay scale as per the requirements set out in the STPCD. In addition, pay scales for Assistant head Teachers should be set as five consecutive spine points in line with STPCD requirements. Senior leadership pay scales and current pay points should be approved on an annual basis by Governors and this should be recorded in the relevant meeting minutes</p>	<p>Agreed.</p> <p>Head teacher will confirm with Brent.</p> <p>Head teacher / 29th February 2016</p>

Non-Assurance Work

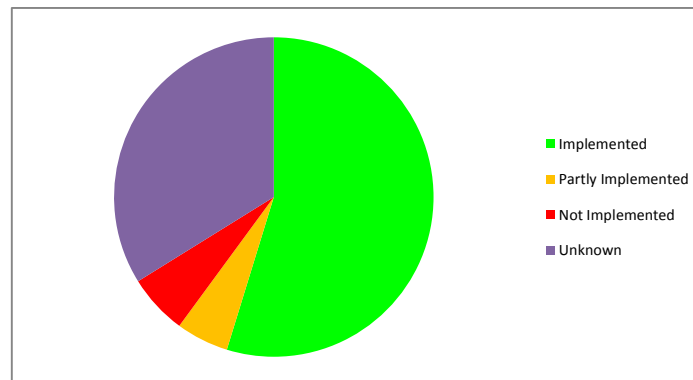
Expanded Troubled Families Programme – Certification of January 2016 Payment by Results Claim	<p>Certification of January 2016 Grant Claim</p> <p>Payment by Results Claim – 32 families certified for claim.</p> <p>A results based payment of £800 is offered for each family for whom the local authority claims to have either (a) achieved significant and sustained progress, or (b) moved off out of work benefits and into continuous employment.</p> <p>As with the previous programme the DCLG requires the local authority's Internal Auditor to check and verify at least a random representative sample of results for each claim before it is made.</p>
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**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 required timeframe, with particular focus applied to any priority 1 recommendations.

The current level of implementation is as per the chart below. Of the 228 (78 priority 1 and 150 priority 2 recommendations, 158 (70%) had been either fully or partly implemented. A detailed summary of the performance in respect of implementation of recommendations is detailed in the following section.

Implementation of Recommendations



Follow-Up of Previously Raised Recommendations

The approach to our follow up of internal audit recommendations has changed to improve organisational effectiveness and performance. Once an audit report has been agreed and finalised, the agreed recommendations are uploaded on the Audit & Investigations portal on Infostore. Each strategic director is then required to ensure that officers indicated as being responsible for the implementation of the audit recommendations update the status of each recommendation as and when due. On a monthly basis, Internal Audit reviews all priority 1 and priority 2 recommendations which are due for implementation in that month and sends reminders to the responsible officers for them to update Infostore on the status of implementation of the recommendations. Internal Audit then carries out verification work as required to confirm that they have been implemented. The Audit Committee is then updated on the status of implemented and non-implemented recommendations due as part of the normal reporting arrangements.

Set out below is a summary of the findings from the follow-up work completed since the last meeting (excluding BHP recommendations).

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. Partly implemented recommendations are those assessed as requiring further work in order to meet the objective of the recommendation.

Summary Position – Implementation Status of Internal Audit Recommendations / Agreed Management Actions as at End February 2016.

The number of recommendations due to be implemented by the end of February 2016 as recorded on Infostore is as outlined in the table below:

Number of Priority One Recommendations due	78
Number of Priority Two Recommendations due	150

The current status of implementation is as outlined in the table below:

Details	P1	P2	Total
Total Recommendations Due for Implementation as at 29/02/16	78	150	228
Implemented	50	94	144
Partially Implemented	5	9	14
Not Implemented	6	10	16
Status Not Updated on Infostore	17	37	54
Total	78	150	228

As part of the follow up process all recommendations have been subject to physical attempts to follow up, this includes emails being sent to recommendation owners, key responsible officers and further escalated more recently to the Strategic and Operational Directors. The audits below relate specifically to the 54 recommendations where no status updates have been recorded.





Audits:

- Licensing (Alcohol and Entertainment)
- Payroll
- Echo Application
- IT Contract Audit
- Blue Badges
- Assessment, Approval and Review of Clients requiring of Mental Health Services
- Adult Home Support Framework

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.
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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
Steve Tinkler – Head of Audit & Investigations	II steve.tinkler@brent.gov.uk
Aina Uduehi – Audit Manager	§ 07525 893458
	II aina.uduehi@brent.gov.uk
Dave Verma – Counter Fraud Manager	§ 020 8937 1495
	II dave.verma@brent.gov.uk
	020 8937 1262

Mazars Public Sector Internal Audit Limited	Contact Details
Mark Towler – Director	II john.clayden@mazars.co.uk
John Clayden – Senior Audit Manager	§ 07901 670365
Harish Shah – Computer Audit Sector Manager	

 Brent	Audit Committee 23 March 2016 Report from the Chief Finance Officer
For Information Wards Affected: ALL	
Report Title: Draft Internal Audit Plan 2016/17	

1. Summary

- 1.1. This report sets out the Draft Internal Audit Plan ("the Plan") for 2016/17 and the basis on which the plan has been formulated.
- 1.2. All Local Authorities are required to make proper provision for Internal Audit in line with the 1972 Local Government Act and the Accounts and Audit Regulations 2003 (as amended). The Public Sector Internal Audit Standards (PSIAS) require, "...chief audit executive to establish risk based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals".

2. Purpose of the Report

- 2.1 In accordance with the terms of reference for the committee and in accordance with Standard 2000 – Managing the Internal Audit Activity as outlined within the PSIAS, the Audit Committee is asked to review and approve the proposed plan. The plan has been based on the assessment of risk and has been designed to demonstrate that the Authority has an effective Internal Audit service, which provides assurance with regards to the design and application of its systems of internal control.

3. Recommendations

- 3.1. The Audit Committee note the approach taken to formulate the draft plan for the 2016/17 financial year and approve the content of the plan. This is in line with the Committee's role, as defined in the Constitution: *To consider the strategic and annual audit plans, and consider the level of assurance these can give over the Council's corporate governance and risk management arrangements.*

4. Detail

- 4.1. The Internal Audit service is delivered by the Audit & Investigations Shared Service which is hosted by the London Borough of Ealing. This arrangement has been in place since October 2015.
- 4.2. The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. The role of Internal Audit is to advise the Council as to whether these arrangements are in place and whether they are operating effectively. The Council's response to Internal Audit activity should lead to a strengthening of the control environment and therefore contribute to the overall achievement of the Council's resources.
- 4.3. As outlined within the Public Sector Internal Audit Standards 2450, the Chief Audit Executive must deliver an annual internal audit opinion and report to the Audit Committee, timed to support the Annual Governance Statement, which must conclude on the overall adequacy and effectiveness of the organisations framework of governance, risk management and control.
- 4.4. Consistent with previous years, the 2016/17 annual audit plan is risk focused and produced following consideration of the following:
- Detailed review of the Strategic and Directorate risk registers;
 - Review of Government and other public sector reports outlining emerging public sector risks or key legislative developments;
 - Discussions with the Corporate Management Team, Section 151 Officer and Operational Directors to understand key service developments planned to be delivered in 2016/17;
 - Review of directorate service / business plans, where available;

- Review of any assurance reports from external inspectorates including Ofsted and CQC; and
- Discussions with External Audit
- Areas which have been the subject of fraud/irregularities.

4.5. In addition the plan has also been designed to take into account the shared service approach to ensure the delivery of an efficient and effective service.

4.6. The plan is based on the delivery of a total of 1,010 days, which is a slight increase on the previous years achieved by increasing the productivity of the current in-house provision. The plan will be delivered through a mixture of in-house provision and days bought in from the outsourced Strategic Partner.

4.7. The BHP Audit Committee has already confirmed that it requires the same level of audit coverage as the previous year.

5. Financial Implications

5.1. The proposed Internal Audit Plan for 2016/17 will be delivered in accordance within the existing approved budget.

6. Legal Implications

6.1. All Local Authorities are required to make proper provision for Internal Audit in line with the 1972 Local Government Act and Accounts and Audit Regulations 2011 (as amended). The Public Sector Internal Audit Standards 2013, also require proper planning of audit work.

7. Diversity Implications

7.1. None

8. Background Papers

8.1. None

9. Contact Officer Details

Steve Tinkler, Head of Internal & Audit & Investigations Shared Service, 1st Floor, Civic Centre.
Telephone – 07525 893458

Conrad Hall
Chief Finance Officer

Proposed Audit Plan 2016/17

	Audit	Audit Days	Risk Link	Audit Scope
	CORPORATE/CROSS CUTTING AUDITS			
1	Procurement - Contract Management & Monitoring	40	Strategic Risk	Deep dive reviews into key contracts, including contract management
2	Business Continuity Planning	12	Strategic Risk	Review of the effectiveness of BCP arrangements (Council –wide approach including risk mitigation plans and procedures)
3	Sickness and Absence Management	10	Management Request	Review of accuracy of sickness recording and management information on One Oracle
4	Income Generation	15	Strategic Risk	Review of income generation strategy across the Council
5	Transparency Compliance	12	Council Priority	Review of transparency compliance including FOIs and statutory responsibilities for publicising key information.
6	Risk Management	10	Strategic Risk	Review of the Council's Risk Management arrangements and identification of areas for improvement
	Total	99		
	RESOURCES DEPARTMENT			
	Finance Audits			
7	Accounts Payable	10	Core Assurance	Review of Key Controls
8	Accounts Receivable	10	Core Assurance	Review of Key Controls
9	General Ledger (Main Accounting System)	10	Core Assurance	Review of Key Controls
10	Payroll	10	Core Assurance	Review of Key Controls
11	Treasury Management	12	Core Assurance	Review of Key Controls
12	Housing Benefits	12	Core Assurance	Review of Key Controls
13	Council Tax	12	Core Assurance	Review of Key Controls
14	Business Rates (NNDR)	12	Core Assurance	Review of Key Controls
	Property Services			
15	Asset Management Strategy	15	Strategic Risk	Review of the Council's asset management strategy including disposal arrangements for surplus assets etc.
	Digital Services			
16	Remote Access / Home working (IT)	12	Strategic Risk	Review of security of access etc.
17	Application Audits: View 360; Northgate SX3; Infostore; iDoc; iCasework; Modern Gov	12	Department Risk	Review of effectiveness of applications including access controls, data entry, processing, output, interfaces, back-up and recovery
18	Client Index	10	Management Request	Review of effectiveness of applications including data security
19	Information Security	20	Strategic Risk	Review of the adequacy and effectiveness of controls including cyber & data security
20	One Oracle Application (IT)	12	Strategic Risk	To review the security and access arrangements around the One Oracle Application (specific module to be confirmed)
	Total	169		


	CHILDREN & YOUNG PEOPLE DEPT			
21	Troubled Families – Extended Programme	20	Management Request	Review future funding position and assessment of controls in respect of the identification of families and monitoring of progress of interventions. Including Payment by Results Grant sign off
22	Assessment of Looked After Children	20	Department Risk	Review of assessment of Looked after Children across the department
23	Virtual Schools – for Looked After Children	12	Department Risk	Review of adequacy and effectiveness of virtual schools for looked after children
24	Early Years - Early Education Entitlement for 2 year olds	10	Management Request	Review of payments to providers and compliance with eligibility requirements
25	Early Years – Pupil Premiums for 3 and 4 year olds	10	Management Request	Review of the effectiveness of governance processes in respect of the use of pupil premiums relating to 3-4 year olds
26	School Places / Schools Expansion Programme	15	Strategic Risk	Review of the Council's strategy to address the risks associated with school places
27	No Recourse to Public Funds - Homeless Families	15	Department Risk	Review of the adequacy of arrangements for the provision of funds for families with no recourse to public funds
	Schools - Thematic Audits			
28	Procurement / Purchasing/Payments	30	Core Assurance	Thematic Audit
29	SEN Provision	30	Core Assurance	Thematic Audit
30	Safe Recruitment including Safeguarding	30	Core Assurance	Thematic Audit
31	Financial Management & Governance	30	Core Assurance	Thematic Audit
	Total222			
	REGENERATION & ENVIRONMENTAL SERVICES			
32	Regeneration & Major Capital Projects	30	Strategic Risk	Project Governance review
33	Section 106 Agreements / Community Infrastructure Levey	15	Strategic Risk	Review of effectiveness of controls over the recording, collection of income, legal agreements, monitoring of existing agreements. CIL - review of adequacy and effectiveness of controls over the levy including collection and accounting for the levy
	Parking & Lighting			
34	Parking Enforcement / Control	15	Strategic Risk	Advisory based review supporting services / policy development
	Other			
35	Barham Trust Accounts	3	Account Certification	Accounts sign off
	Total	63		

CHIEF EXECUTIVE'S DEPARTMENT				
	Executive & Members Services			
36	Democratic Services Review of Processes and procedures within Democratic Services - publications/forward plans etc.	12	Management request	Review of governance arrangements within Democratic Services
	Performance & Improvement			
37	Performance Management / Data Quality / Performance Reporting	12	Department Risk	Review of the quality and accuracy of data on InPhase (performance management systems)
	Strategy & Partnerships			
38	Grants to Voluntary Organisations	12	Department Risk	Review and evaluation of arrangements for the management of grants made to voluntary organisations
	Information Governance & Security			
39	Implementation of actions arising from ICO audit.	8	Strategic Risk	Follow up of actions arising from the recent audit by the Information Commissioners Office
	Total	44		
COMMUNITY & WELLBEING DEPARTMENT				
	Adult Social Care Audits			
40	Adults – Assessments Mental Health	15	Management Request	Review of implementation of new integrated Mental Health operating model
41	Direct Payments	15	Department Risk	Review of the system of referrals assessment, monitoring, payments and recovery of overpayments to clients
42	Appointeeship & Deputyships	15	Management Request/ Fraud Risk	Review of the framework for appointeeships and deputyships and the safeguarding of clients assets
43	John Billam Centre	10	Department Risk	Review of Health and Safety Procedures
	Community Services			
44	Homelessness Prevention & Assistance	16	Strategic Risk	Review of implementation of new operating model for homelessness prevention and assistance
	Public Health			
45	Service user involvement in service development, service development and quality assurance	12	Management Request	Review across all services which transferred to the local authority
46	Performance & Payments to GPs and Pharmacists	10	Management Request	Review of performance and payments to GPs and Pharmacists
	Total	93		

	BRENT HOUSING PARTNERSHIP			
47	Housing Rents (Rent Accounting)	10	Operational Performance	Systems
48	Major Works Contracts - Procurement & Contract Management and Contractor Performance	20	Capital Programme	Systems
49	Procurement and Contracts (non major works)	15	Financial Viability	Systems
50	Tenant Management Organisations (Kilburn Square Coop)	15	Operational Performance Governance and Business Compliance	Systems
51	Rent Arrears Management	12	Operational Performance	Systems
52	Management of Non Brent Properties	12	Lettings Agency	Operational Performance
53	Leasehold Management and Service Charges	12	Capital Programme – Wates Living Space	Systems
54	Conflict of Interests and Gifts and Hospitality (Staff & Members)	12	Governance & Business Compliance	Systems
55	Complaints Management	12	Operational performance	Systems
56	Gas Servicing	12	Health & Safety	Systems
57	Follow Up Audits	10	Governance	N/A
	Consultation, Communication, Reporting	18	N/A	N/A
	Total	160		
ADVICE, GUIDANCE & CONTINGENCY				
	Advice & Guidance	50		
	Follow Up Audits	30		
	Other Chargeable Activity (Committee reporting, planning etc.	50		
	Unallocated Contingency	130		
	Total	260		

Total Days for Brent 1110

Brent Resource (Days)	
Bought in	590
Audit Manager	175
Senior Auditor	190
Graduate Trainee	125
Head of Internal Audit	30
Total	1110

 <p>Brent</p>	<p>Audit Committee 23 March 2016</p> <p>Report from the Chief Finance Officer</p>
<p>For Information</p>	<p>Wards affected: All</p>
<p>Report Title: Strategic Risk Register</p>	

1. Purpose of Report

- 1.1. In accordance with the terms of reference for the Audit Committee to review the adequacy and effectiveness of the risk management framework within the Council. This is a periodic report to update the committee on the strategic risks facing the council, no decision is required.

2. Recommendations

- 2.1. It is recommended that the Committee considers the current Strategic Risk Register (Appendix A) to assure itself that includes all appropriate strategic risks facing the Council and that all necessary and appropriate actions are being taken to safeguard the Council's business and reputation.

3. Detail

3.1. Roles & Responsibilities

- 3.1.1. The Accounts and Audit (Amendment) Regulations 2011 and Public Sector Internal Audit Standards 2013, require the Council to maintain a robust, adequate and effective system of risk management in its delivery of core services. Operation of an effective and embedded risk management framework is an important element in order that the Council effectively discharges its corporate governance responsibilities.
- 3.1.2. As outlined within the Council's Risk Management Policy, the Corporate Management Team is responsible for reviewing the Strategic Risk Register, ensuring that the management of risk continues to be within the Council's risk appetite. The Audit Committee is responsible for considering the effectiveness of the Council's strategic risk management arrangements.

3.2. Strategic Risk Register (SRR)

3.2.1. The Council's SRR details:

- Corporate risks that could impact on the achievement of the aims / priorities articulated within the Council's Borough Plan and also its longer term objectives.
- They include the significant events that could impact upon the infrastructure and the efficient operation of the Council; and
- Risks that cover the full range of principal objectives which are likely to require ongoing control.

3.2.2. Since the last Risk Management report which was presented to the Committee in January 2016, two risks have been escalated to the SRR. Details of the individual risk added are outlined below:

- Ability to attract and retain high calibre staff (R04) – Residual risk rating score (20)
- Failure by BHP to deliver acceptable housing management services to Brent tenants and leaseholders, or to adequately and safely maintain the council's housing assets (CWB11) – residual risk rating score (25)

3.2.3. The current SRR therefore contains 13 risks, the residual risk assessment of which is summarised as follows:

Rating	B/f from Q3 2015/16	Risks Added	Risks Withdrawn	Totals as at end of Q3 2015/16
High Risks	1	1	0	2
Medium Risks	10	1	0	11
Low Risks	0	0	0	0
Total	11	2	0	13

3.2.4. The Committee should note that a Risk Workshop is to be held at the next available Senior Managers meeting, chaired by the Chief Executive to fundamentally review and update the SRR, the updated version will be presented to the next meeting of the Committee.

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 Chief Finance Officer 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

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Telephone – 07525 893458

Conrad Hall, Chief Finance Officer

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STRATEGIC RISK REGISTER MARCH 2016

ID1	Identification	Impact	Owner	Raw risk	Raw like	Raw Ris	Controls	Assurance	Net risk	Net like	Net risk s	Movement	Inc	Further Actions	Deadline	Responsible
C & YP 1	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.	Strategic Director, Children and Young People	6	6	36	New School Place Planning Strategy approved October 2014 and updated approved by Cabinet November 15. Funding for basic need secured from central govt to provide additional school places; strengthen partnership working with EFA to maximise influence over Free Schools programme and reduce costs to Council; strengthen partnership working with Regional Schools Commissioner to maximise influence over secondary expansion, 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. Lobbying and work with London Councils, Education Funding Agency, Department for Education and Schools	Regular monitoring by CMT & Cabinet.	6	4	24			N/A	N/A	Strategic Director, Children and Young People
												↔				
C & YP 2	Vulnerable children not adequately safeguarded.	Abuse, Death or injury of vulnerable persons. Reputational damage to Council.	Strategic Director, Children & Young People	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. Continuous Monitoring & Development; Safeguarding & Looked After Children Inspection Action Plan; Continued collaboration with relevant agencies.	6	2	12			None.	N/A	Strategic Director, Children & Young People
												↔				
CMT1	Budget savings for 2016/17 have significant consequences for service delivery which have not been predicted as part of the budget process.	Unforeseen service delivery failure.	Chief Finance Officer	6	5	30	Budget largely agreed March 2015 (for 2016/17 savings). Therefore significant lead-in time to mitigate risk Scrutiny and equality impact processes to further mitigate risk	Governance system reviewed annually to ensure meeting challenges. External audit opinion. Service inspections as appropriate. Review of risks for 2016/17 in January and February 2016 carried out - has identified financial pressures but not significant service failure consequences	3	4	12			Ongoing performance and budget monitoring	31January 2016	Chief Finance Officer
												↔				
CMT2	Failure to achieve required budget savings in 2016/17	Budget overspend requires draw down on reserves, impacts upon ability to meet other unforeseen pressures, council unable to fund	Chief Finance Officer	4	4	16	Budget monitoring system to identify issues and prioritise mitigating actions, CMT and DMTs focus on high risk proposals to identify issues. One council project management discipline in place to ensure successful delivery. Projects at risk flagged via PMO	Monthly budget monitoring process	4	3	12			n/a	n/a	Chief Finance Officer
												↓				
CMT3	Non compliance with Health and Safety legislation.	Death or injury to public or staff; criminal prosecution or civil litigation; Service stopped; Loss of public trust.	Strategic Director, Regeneration & Environmental Services	6	4	24	H&S Policies and procedures in place Regular testing of procedures Mandatory H&S training programme Regular H&S review meetings with Property & Projects and Corporate H&S Board	1. Health & Safety Board 2. Regular Monitoring	5	4	20			Mazars have been commissioned to undertake an external review of the Council's Health and Safety arrangements.	31/03/16	Head of Regulatory Services
												↔				

CMT4	Major or large scale incidence (accident, natural hazard, riot or act of terrorism); business interruption affecting the Council's resources and its ability to deliver critical services. Risk top safety of staff and loss of staff.	Service delivery disruption and impact on the Council's ability to deliver critical services. Reputational damage to the borough should perpetrator of terrorism be living or radicalised within the borough.	Strategic Director, Regeneration & Environmental Services	6	3	18	Secondary data centre able to deliver all ICT services. All systems can be managed remotely. All staff have access to remote desktop.	Emergency Planning and Business Continuity Planning. Regular review and assessment of robustness of plans. Lessons learned from recent tests and incidents have been signed off at CMT	6	2	12	↔	Consider where the team best sits organisationally	30/06/16	Chief Executive
CMT5	Information Governance - Inappropriate access, corruption or loss of data	Exposure of confidential information or corruption of data Prosecution or fine for statutory breach Loss of public trust	Director, Performance, Policy & Partnership	5	6	30	Audits of compliance Policies and Procedures in place Information governance forum Mandatory e-learning modules for all staff	1. Information Governance Group 2. Internal Audit 3. ICO audit reported to audit committee in Jan16 and to CMT in Feb16	5	4	20	↔	The findings resulting from the review by the Information Commissioner's Office (ICO) are to be actioned. The action plan is being implemented and delivery is being tracked by the IG group An independent audit has also been commissioned for Q1 in 2016/17	30/09/16	Information Governance Officer
CWB 1	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 abuse, death or injury of vulnerable persons (both in terms of safety and	Abuse, Death or injury of vulnerable persons. Reputational damage to Council.	Strategic Director, Community & Wellbeing	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 On-going training for staff in relation to safeguarding and regular review of procedures and policies.	6	2	12	↔	None	N/A	Head of Reablement and Safeguarding
CWB 7	Impact of government's housing and welfare reforms causes significant rise in homelessness	Increased homelessness and associated service pressures leading to an increase in use of emergency accommodation and out-of-borough placement	Strategic Director, Community & Wellbeing	6	6	36	Cross-service welfare reform approach in place. Temporary Accommodation reform plan in place to maximise homelessness prevention and private rented resolution and development of resettlement resources for out-of-borough placements.	Regular Monitoring	5	4	20	↔	Mainstream of assisted self-service frontline service from April 2016, integrated with benefits and employment advice. Joint homelessness and children act assessment protocol to be developed.	30/04/16	Operational Director Housing & Culture

R2	Successful Judicial Challenge against the authority by way of Judicial Review and 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.	Chief Legal Officer	6	5	30	Legal advice given at CMT, Cabinet and PCG, clear advice given on potential areas of challenge and any litigation commenced. 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.	1. Cabinet 2. CMT 3. PCG 4. Legal team 5. Counsel Advice	6	3	18	↔	Chief Legal Officer to prepare report about judicial reviews to be presented to Corporate Management Team (CMT). Development of protocol to enable Heads of Service to have better visibility on them. Training to be arranged for client departments.	31/03/16	Chief Legal Officer
R4	Ability to attract and retain high calibre staff	Key Posts unfilled Poor service delivery Failure to have a succession plan in place can lead service failure and the council not having a talent pipeline that identifies future leaders.	Strategic Director, Resources	5	5	25	Existing recruitment and retention policy and procedures	HR Improvement Group	5	4	20	New	1. Implement a Workforce Strategy and Action Plan for 2015 – 2019	16/03/16	HR Director
R11	Crest Academies - risk of substantial contractor claim in respect of delay to completion of project.	Significant financial cost to council for which no budget exists.	Operational Director Property & Projects	5	6	30	Obtain appropriate legal advice in advance of a contractual claim being made and in the event that a claim is made, act according to that legal advice.	Legal advice obtained to date indicates that the anticipated claim is largely unsubstantiated and not the council's liability.	4	5	20	↔		31/08/2016	Strategic Director, Resources
CWB 11	Failure by BHP to deliver acceptable housing management services to Brent tenants and leaseholders, or to adequately and safely maintain the council's housing assets	Increased disrepair, ASB, and associated costs and adverse impact on the welfare of tenants and leaseholders. High levels of customer dissatisfaction and adverse reputational impact for the council. Health & safety breaches and risk to residents. Delay and increased cost to stock investment	Strategic Director, Community Wellbeing	5	6	30	BHP Business Recovery Plan in place with oversight by joint BHP/ council board to remedy identified areas of under-performance. Audit investigation commissioned of stock investment programme and wider contract management performance. New interim senior leadership in place.	Regular monitoring of business recovery plan progress and KPIs. Regular client-side performance review and quarterly partnership meetings	5	5	25	New	Audit action plan produced and implemented (March). New capital contract management structure established (March). Complete implementation of Business Recovery Plan (to June). Examination of contingency housing management arrangements	01/06/2016	Operational Director, Housing & Culture

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