



Audit Committee

Monday 20 March 2017 at 7.00 pm

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

Membership:

Members

Mr Ewart (Chair)
Mr Sullivan

Councillors:

Davidson
Khan
Long (Substituting for A Choudry)
Naheerathan
Nerva

Substitute Members

Councillors:
Hoda-Benn and McLeish

Councillors:

Kansagra and Maurice

For further information contact: Nikolay Manov, Governance Officer
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www.brent.gov.uk/committees

The press and public are welcome to attend this meeting

Agenda

Introductions, if appropriate.

Item	Page
1 Apologies for absence and clarification of alternate members	
2 Declarations of personal and prejudicial interests	
Members are invited to declare at this stage of the meeting, any relevant personal and prejudicial interests and disclosable pecuniary interests in any matter to be considered at this meeting.	
3 Deputations	
4 Minutes of the previous meeting	1 - 14
5 Matters arising	
6 The Role of the Audit Committee in Local Government Ombudsman (LGO) Reports	15 - 16
The report has been requested by the Audit Committee and it sets out the role of the Committee in the rare event of the Local Government Ombudsman (LGO) issuing a report against the Council.	
Ward Affected: All Wards	Contact Officer: Peter Gadsdon, Director, Performance, Policy and Partnerships Tel: 0208 8937 1400 Email: peter.gadsdon@brent.gov.uk
7 External Audit Progress Report	17 - 20
The report summarises the auditing activities undertaken by KPMG in the period January 2017 to March 2017 and provides an overview of actions to be completed by the next meeting of the Audit Committee.	
8 External Audit Plan 2016-17	21 - 40
This report from KPMG, the Council's external auditors, sets out the Audit Plan 2016-17.	

9 Annual Report on Grant Claims and Returns 2015-16 41 - 50

This report summarises the results of work KPMG, the Council's external auditor, has carried out on the Council's 2015-16 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.

10 Draft Internal Audit Strategy, Plan and Internal Audit Charter 2017/18 51 - 76

The report sets out the Draft Internal Audit Strategy and Plan for 2017/18 and the basis on which the Plan has been formulated. The Internal Audit Charter has been appended to the report for consideration and approval.

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

11 Internal Audit & Counter Fraud Progress Report 77 - 100

The report provides an update on the progress against the internal audit plan for the period 1 December 2016 to 28 February 2017 and updates on the counter fraud work completed in quarter 3 of 2016/17. The appendix to the report also summarises those reports from the 2016/17 plan which have been finalised since the last meeting of the Audit Committee.

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

12 Risk Management Review 101 - 104

The report summarises progress in re-defining the Council's approach to Risk Management and planned next steps.

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

13 Draft Counter Fraud Strategy and Plan 2017/18 105 - 118

The report sets out the Council's Counter Fraud Strategy and Plan for 2017/18 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
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14 Improving the Working of the Committee 119 -
122

The report sets out a number of suggestions from the Chair of the Audit Committee to help improve the working of the Committee.

15 Audit Committee Forward Plan 123 -
124

The paper updates members on the Audit Committee's Forward.

Ward Affected:
All Wards

Contact Officer: Conrad Hall, Chief Finance
Officer
Tel: 020 8937 6528
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16 Any other urgent business

Notice of items to be raised under this heading must be given in writing to the Head of Executive and Member Services or his representative before the meeting in accordance with Standing Order 64.

17 Date of next meeting

The next scheduled meeting of the Audit Committee will be confirmed at the Annual Council meeting in May 2017.

Date of the next meeting: TBC



- Please remember to **SWITCH OFF** your mobile phone during the meeting.
- The meeting room is accessible by lift and seats will be provided for members of the public.



LONDON BOROUGH OF BRENT

MINUTES OF THE AUDIT COMMITTEE Wednesday 11 January 2017 at 7.00 pm

PRESENT: Councillor Mr Ewart (Chair), Councillor A Choudry (Vice-Chair) and Councillors Sullivan, Davidson, Naheerathan and Nerva

Also present: Councillors

Apologies for absence were received from: Councillors

1. **Declarations of Interests**

The Chair declared that he was a former Finance Director at the London Borough of Ealing until in 2013.

No other declarations of Personal and Prejudicial Interests were made.

2. **Deputations (If Any)**

There were no deputations received.

3. **Minutes of the Previous Meeting**

RESOLVED that the minutes of the previous meeting, held on 22 September 2016 be approved as an accurate record of the meeting and signed by the Chair.

4. **Matters Arising**

(i) *Corporate Risk Register*

The Chair informed the Committee that the Risk Register would be discussed under Item Number 11 to the Agenda.

(ii) *Independent Member of the Audit Committee – Recruitment Update*

The Chair informed the Committee that Mr Eugene Sullivan had been appointed as an Independent Member to serve on the Committee. The Chair welcomed Mr Sullivan to the Committee and asked him to introduce himself.

Mr Sullivan introduced himself and talked about his professional experience.

(iii) *Complaint Regarding the Appointment of Independent Person(s)*

The Chair stated that a note by the Monitoring Officer containing guidance on best practice for appointing Independent Persons had been circulated to Members of the Committee.

(iv) Internal Audit Report – Torah Temimah Primary School

The Chair noted that a Briefing Note on Action Plan and Monitoring at Torah Temimah School had been circulated and asked the Chief Finance Officer for a brief update.

Conrad Hall (Chief Finance Officer) informed the Committee that the school was continuing to take actions addressing the recommendations from the audit report. A fully updated action plan had been requested from the school and would be made available to Members at the next Audit Committee meeting. Regular progress meetings had been held by officers with the school's representatives and the final meeting in this process had been scheduled for 7 February 2017.

The Chief Finance Officer added that the school had achieved five of the priority two and three recommendations, but progress had to be made on documenting various financial policies and procedures. It was noted that work on Priority 1 recommendations continued and that the school had committed to submitting all financial returns as per the deadlines.

(v) Local Government Ombudsman's Investigation into a Complaint Against London Borough of Brent

The Chair advised the Committee that this item had been deferred at his request due to the length of agenda and importance of some of the items. Vanessa Bateman confirmed it would be on the agenda of the Committee meeting in March 2017.

5. KPMG Progress Report

Steve Lucas (Senior Manager at KPMG) introduced a report summarising the auditing activities undertaken by KPMG in the period September 2016 to January 2017. He drew the Committee's attention to the key work undertaken by KPMG which could be found on page 16 of the Agenda Pack.

Steve Lucas highlighted the fact that KPMG had accepted six objections to the 2015/2016 accounts. 'Accepted' in this legal context means only that certain minimum legal requirements have been met, for example that the Objection is in writing and from a local elector or that it is not in respect of an immaterial item. It does not imply that any decision has been reached as to the substance of the Objection. Steve Lucas confirmed that he had received responses from the Council and that there had been an ongoing correspondence between KPMG and local electors. Steve Lucas stated that an update was going to be provided at the next meeting of the Audit Committee.

Steve Lucas informed the Committee that planning for the 2016/2017 audit had started and that an update would be provided at the next meeting of the Committee.

RESOLVED that the contents of the External Audit Progress Report be noted.

6. **KPMG Annual Audit Letter**

Phil Johnstone (Director at KPMG) introduced the Annual Audit Letter which summarised the outcome of the KPMG's audit work at the London Borough of Brent in relation to the 2015/16 audit year. He noted that some of the contents of the report had been reported to the previous meeting of the Audit Committee on 22 September 2016 and the amendments made had been reflected in the document.

The annual audit letter set out that the audit of the council's accounts had resulted in an unqualified audit opinion, although some significant amendments had been required to the draft accounts. An unqualified value for money conclusion had also been issued, meaning that the council had reasonable arrangements in place to secure value for money.

Phil Johnstone informed the Committee that KPMG had received six objections to the accounts from local electors and it would not be possible to issue the audit certificate prior to the completion of all responsibilities related to the financial year. Although there are six legally separate Objections five of them are very similar and relate to the same subject: the exit payment to the Council's former HR Director. Phil Johnstone informed the Committee that ongoing updates in terms of progress would be brought to the next meeting of the Committee.

A Member asked a question about the cost incurred by the Council in relation to the additional work undertaken on the six objections received. Phil Johnstone clarified that any additional fees would be agreed with the Chief Finance Officer and Public Sector Audit Appointments Limited (PSAA) and these would be reported to the Committee. This led to a discussion about the cost of objections in the previous financial year and to the extent to which electors could challenge the Council. Phil Johnstone explained that although there was not a formal threshold for objections, the criteria for accepting objections had changed. He gave an example of the introduction of a prescribed period for accounts being available for inspection (30 working days), i.e. when it would be possible to bring objections up. Moreover, Phil Johnstone listed some of the reasons why an objection could be rejected –if it had been previously considered, if the cost incurred would be disproportionate or due to its nature. He advised that the external auditor was not obliged to explain the reason for the rejection and that the person bringing the objection had the right to appeal.

In relation to the six objections received, Phil Johnstones informed the Committee that although the initial stage of investigation would not usually incur a cost, it had not been clear yet if any of the objections would be rejected. Conrad Hall (Chief Finance Officer) added that the Council sometimes received questions from people who were interested in the accounts, and that the Council takes an open and transparent approach to these in order to assist residents.

Mr Sullivan requested more information about the adjustments to the accounts and the causes for these. It was agreed that he would work on this with the Chief Finance Officer outside the meeting. The external auditor, KPMG, offered to assist him in case he had any questions.

A Member asked a question which related to the fee incurred by the audit of the Pension Fund (£21,000). Phil Johnstone responded that the fee was in line with the planned fee. He clarified that under KPMG's terms of engagement with PSAA, the external auditor undertook prescribed work in order to certify the Council's housing benefit grant claim (the fee would be confirmed), while audit-related services for the certification of the Teachers' Pension Return and Pooling of Housing Capital Receipts Return fell outside of the PSAA certification regime. The discussion continued by a Member's question which related to the reasons why internal auditors could not provide these audit-related services to which the Chair responded that the current arrangements ensured the conduct of an independent audit process.

RESOLVED that the contents of the Annual Audit Letter 2015/16 be noted.

7. Planning Applications Audit Report

The Chair reminded the Committee that its purpose in reviewing 'limited assurance' audit reports was not to re-examine all the issues raised, but to gain assurances that the issues identified were being properly addressed by management.

Vanessa Bateman (Interim Head of Audit and Investigation) presented a report on Planning Applications produced following a request made at the June 2016 Audit Committee. PriceWaterhouseCoopers(PwC) undertook the review and a final report was produced in November 2016. The document provided Limited Assurance and raised recommendations related which to the following areas of concern

- Approval of planning applications: System audit trail and workflow
- Acolaid system user access
- Anti-bribery arrangements
- Pre-application review
- Management information

Vanessa Bateman highlighted that new management had been in place since May 2016 and there was evidence of improvements made to the system of controls within the planning application assessment process. She drew the Committee's attention to page 83 of the Agenda Pack which contained the Executive Summary of the Internal Audit Report 2016/2017 prepared by PwC. She informed the Committee that 11 actions had been identified and the service had responded. Two actions had been completed, five were due by the end of January 2017 (they had been identified as high risk), and two had been scheduled for completion by the end of April 2017 (they had been assigned medium priority). Vanessa Bateman suggested that if the tasks that were due in January 2017 were completed, this would increase the assurance level and she informed Members that a report on the recommendations was to be presented to a future meeting of the Committee.

Matt Cavanaugh (Engagement Manager at PwC) confirmed that PwC was satisfied by the report and declared that he welcomed any questions Members had.

Adrian Harding (Acting Development Management Manager) provided an update on all actions contained in the Action Plan which were either completed or moving towards completion, with the project running on track. He focused his presentation on the following actions

- 1a - Audit trail (page 90 of the Agenda Pack) which had been completed and recorded the activities of the Team.
- 1b – Segregation of duties (page 90 of the Agenda Pack) which had been completed, with the system separating key parts of the process.
- 2a, 2b and 2c – User access levels (page 92 of the Agenda Pack) where it was identified that Digital Services (IT) needed training by the software provider and where IT would provide a listing of access rights on a quarterly basis to enable the review of access rights and process any changes required. Moreover, user access rights were to be reviewed and restricted as a priority by the end of January 2017.
- 2d – Monitoring user activity (page 92 of the Agenda Pack) – a performance management report had been drafted to show user activity.
- 2e – Removing leavers (page 92 of the Agenda Pack) – IT would review its procedures for processing leavers and removing access to Acolaid, while Planning would notify IT of any leavers, requesting their accounts to be closed.
- 3a, 3b and 3c – Anti-bribery risk arrangements (page 94 of the Agenda Pack) – a bribery risk assessment had been progressed with the Council’s legal service, anti-bribery training had taken place on 4 November 2016, and the Team was in the process of completing declarations of interest.
- 4 – Pre-application advice (page 95 of the Agenda Pack) – the same level of progress as the segregation of planning duties, with the system preventing officers from reviewing and approving their own written advice to customers (excluding Duty Officer query responses).
- 5 – Management Information (page 96 of the Agenda Pack) – management reports on a range of issues had been produced, with additional reports to follow shortly, including individual and overall performance reports.

The Vice-Chair asked a question which related to the way information was extracted for reporting purposes (whether this was manual or via information management). Adrian Harding explained that there were two ways of extracting information for report – by searching and downloading data into a spreadsheet or by using specialised software, Aconet, which browsed the system and could be used to create a number of reports depending on the preferences of the report-writer. He added that part of the reporting was ‘accounting-flavoured’ as it dealt with the number of applications received, determined, and those which remained on the system.

A member of the Committee asked to what extent the audit and its recommendations had been anticipated and whether there had been any self-assessment conducted by the Team. Vanessa Bateman said that self-assessments were not routinely completed in advance of an audit but that it was Management’s responsibility to implement a robust system of internal control and that the scope of the audit and the risks covered by the work would have been agreed with Management as part of the audit planning process. Alice Lester (Head of Planning, Transport and Licensing) clarified that the scope of the audit had been agreed with the Team and, therefore, there were no unexpected actions.

The Chair said that there had been a number of tasks to be completed by 31 January 2017 and expressed concern whether the target would be achieved. Adrian Harding explained that the Team was dependent on IT for some actions which meant that some may not be completed by the deadline. Alice Lester stated

that an update on the matter would be provided at the next meeting which was supported by the Chair. This led to a short discussion whether the contract for IT services covered training. It was decided that Planning Officers would report to the Chief Finance Officer in respect of this.

Mr Sullivan commented that the software included proper audit controls. He made the point that as these controls were not working then either these controls had not been properly configured by the software company, or they had been and then switched off by management. Depending on which answer was provided a fundamentally different approach to the further actions required would be indicated. The Planning Officers undertook to update the Chief Finance Officer within a week, and would in turn update the committee.

The chair thanked PwC for its work on the report.

RESOLVED that:

- (i) The contents of the Planning Applications Audit Report be noted;
- (ii) A progress update on actions that were due to be completed by 31 January 2017 be provided at the next meeting of the Committee.
- (iii) A response whether audit control on Acolaid had been switched on or off when the Council bought the software be provided at the next meeting of the Committee.

8. External Auditor Appointment

The Committee received a report setting out the proposals for appointing the external auditor to the Council for the 2018/2019 accounts and beyond. Conrad Hall (Chief Finance Officer) presented the following three potential approaches to the appointment the external auditor to the Council:

- (i) A sector-wide procurement conducted by Public Sector Audit Appointments
- (ii) Establishing an independent auditor panel
- (iii) Joining other local authorities to establish a joint auditor panel

Conrad Hall advised the Committee that the option recommended in the report was (i) A sector-wide procurement conducted by Public Sector Audit Appointments. He explained that Public Sector Audit Appointments (PSSA) was limited by guarantee incorporated by the Local Government Association and it would help the Local Authority maintain separation between the Council and the external auditor appointment. Among the key benefits presented were the opportunity to minimise conflict of interest, the benefit of purchasing services in bulk (better negotiation position to secure offers by more companies and reduce costs, while maintaining high levels of quality), the fact that PSAA would monitor contract delivery, lower procurement costs, and no need for the Council to establish an alternative appointment process locally.

Conrad Hall reminded the Committee that the current audit arrangements covered up to and including 2017/18 audits and if the recommended option was to be approved, the Council must ensure that its notice to opt in would be received by 9

March 2017. Committee Members were advised that although the Committee could not legally make the final decision, its view was obviously highly important and it would be taken into account at the next Full Council meeting.

Conrad Hall reminded the Committee that it was not obliged to endorse the recommended option and spoke briefly of the other two options discussed in the document (see page 27 of the Agenda Pack). He highlighted that these followed a model used by private sector companies and informed the Committee of the costs and legal complexities associated with them, including the need to appoint an independent Audit Appointment Committee.

The Chair thanked Conrad Hall for his report and expressed a view that he would recommend option (i). The Independent Member, Mr Sullivan, spoke of PSAA's expertise and he expressed support for the economies of scale argument as he argued that buying in bulk would lead to stronger competition and a better price. Mr Sullivan commented on the fact that accountability would be better as well as PSAA would manage the contract performance. He said that the sector wanted similar arrangements to be made 5-10 years ago and he stated his support for the recommended option, suggesting that the Council strongly consider opting in. The Vice-Chair supported the views expressed by Mr Sullivan and Conrad Hall, highlighting the clear advantages of the proposal.

The Chair asked Members of the Committee to bring further questions forward. There was a short discussion whether Local Authorities could appoint external auditors independently of PSAA and it was concluded that although this was possible in theory, a few Councils would select such an option and implement it in practice.

Members of the Committee voted on the proposal and it was unanimously decided to accept it.

RESOLVED that:

- (i) The contents of the External Auditor Appointment 2018/19 report be noted;
- (ii) The Council accepts Public Sector Audit Appointments' (PSAA) invitation to 'opt in' to the appointment of external auditors for five financial years commencing 1 April 2018;
- (iii) The Audit Committee endorses the report to be sent to Full Council for approval.

9. Treasury Management Strategy 2017/18

Conrad Hall (Chief Finance Officer) introduced the report which presented the draft Treasury Management strategy for 2017/18 whose final version, alongside with the views of the Committee, would be included in the budget report to be approved by the Council on 27 February 2017.

He stated that the successful identification, monitoring and control of risk was central to the Council's Treasury Management Strategy, which defined how officers would protect investments and how they would look after the Council's money. He

emphasised that securing the return of capital was considerably more important than securing a return on that capital and paid special attention to the fact that interest rates were at extremely low levels. The consequence of this was that opportunities to improve portfolio performance at reasonable levels of risk were very limited and that although rates could increase and this would change the strategy, this was unlikely to happen soon.

Conrad Hall drew Members' attention to the fact that, on 30 November 2016, the Council had £416m of long-term debt and £201m of investments and asked Members of the Committee to look into Appendices A, B, C and D for further detail. He commented that Appendix D contained benchmarking information which showed that the Council had a low risk portfolio of borrowing. He outlined that the Council had £80.5m exposure to LOBO loans (Lender's Option Borrower's Option) of which £40.0m of these could be "called" within 2017/18, while £15m of these were transformed into regular fixed rate loans in 2016/17. He explained that the default position if the option was called would be the repayment of the LOBO without penalty i.e. the revised terms would be accepted. It was considered a significant possibility that some LOBOs could be called over the next few years due to the need to comply with Basle III Regulations for Banks in 2019.

The Chair noted that the Council's external interest budget for 2016/17 of £23.3m, with budgeted investment income of £1.3m, was showing that invested money did not earn much in terms of interest, a feature of the interest rate environment.

Members asked questions which related to eliminating debt and using interest payments to repay loans on the Council's portfolio. In response, Conrad Hall explained that there were no legal restrictions on doing this. However, the high interest rate loans in the portfolio, which were taken out in the early 1990s when loans at c9% may have seemed attractive, would necessarily attract very high redemption penalties whilst current rates were so low. An early repayment strategy could be more practical if interest rates started to rise. With regard to repayment penalties, it was clarified that these could exceed 100% of the principal value of the loan.

Members commented on paragraph 23 of the report, noting that balances in the Council's accounts were earning less interest due to the low rates, and a discussion on the delivery of the Capital Programme followed, concluding that it required improvement despite the progress achieved. Officers pointed out that Brent 2020 gave a clearer idea of key developments the Council wanted to unfold and emphasised the need to ensure that these were sustainable. Members noted that more had to be done in terms of the delivery of the Capital Programme. This would be discussed as part of the work programme at the Committee meeting in March 2017.

The next topic of discussion was the £201m of investments mentioned in paragraph six of the report (see page 39 of the Agenda Pack). A member of the Committee enquired as to what was enabling authorities, shown on the second graph in Appendix D, to get so much in terms of total return on total investment portfolio and whether Brent could learn from them. Conrad Hall responded that the total return on total investment portfolio could be influenced by a higher risk strategy, better returns, deals made in the past, etc. He explained that the graph was sourced by

the Treasury Advisor whom he met quarterly and stated that further details were not available at present.

A Member of the Committee asked if there were any restrictions on what the Council could do with money from Section 106 agreements. Conrad Hall responded that it could be spent as it had been agreed and outlined to the Committee that £201m of investments reflected a range of balances, among which Section 106 funds and the Council's reserves, with approximately £10.3m being specific balances on Section 106. The discussion continued by clarifying that each year a report had been taken to Cabinet defining what areas Section 106 funds would be spent on and what the money would be used for while the Council had it.

Members enquired whether if Brent was to join with other local authorities, it would be able to generate higher interest on investments as a higher sum would be more attractive to investors. Conrad Hall stated that this would depend on whether the sums involved would be enough to excite the market and raise rates. He outlined that the answer to this question would not be straightforward and would require careful consideration.

The Independent Member commented that protecting the capital liquidity of the Council was a clear priority. He suggested that a user guide to accompany the Treasury Management Strategy be created, with clearly defined policies, executive summary and process of improving decisions.

There were no further questions and it was **RESOLVED** that:

- (i) The contents of the Treasury Management Strategy 2017/18 report be noted; and
- (ii) A user guide to accompany the Treasury Management Strategy be created.

10. Internal Audit & Counter Fraud Progress Report for the period 1 September - 30 November 2016

Vanessa Bateman (Interim Head of Audit and Investigation) introduced the report which provided an update on the progress of the Internal Audit Plan and counter fraud work undertaken during the period 1 September to 30 November.

She began by outlining that this progress report had been prepared shortly after the usual quarterly report to make sure that not too many reports were congregated together. Vanessa Bateman felt more confident as she had been able to settle into the role and the organisation and she had started building the network she required to fulfil the role. She noted the progress achieved with PriceWaterhouseCoopers (PwC) as monthly meetings and a quarterly strategic meeting had been set up. She acknowledged that reports outlining what Brent wanted and needed from its audit service were taken to the Corporate Management Team (CMT) which created useful interaction with CMT.

During the presentation of her report, Vanessa Bateman made the following key points

- 56 internal audit projects were included within the agreed 2016/17 Plan (excluding follow up and advisory work)

- 11 audits were removed from the Plan agreed at the March 2016 committee (for details see Table 2 on page 56 of the Agenda Pack)
- 12 audits had been added (for details see Table 1 on page 56 of the Agenda Pack)
- 25 audits had reached draft or final stage of completion

She said that the figures demonstrated that momentum had been built. She stated that requests from management had been responded to and where audits were removed from the Plan she had revisited them to ensure that processes had been followed. Vanessa Bateman spoke of the need for the Audit Service to be flexible and adaptable to the organisation, including the necessity to build in contingency at the beginning of the financial year.

Members were informed that 45% of reports had been issued to date (Table 3 on page 57 of the Agenda Pack), with projections improving for the third and the fourth quarter. Special attention had been paid to follow up audit recommendations and to ensure that a structured process had been put in place. Vanessa Bateman informed the Committee that the Service would be able to deliver the Internal Audit Plan for 2016/17, including a few issues which could be added to be looked at prior to the next financial year.

In terms of the status of 2015/16 Priority 1 and 2 Recommendations, Vanessa Bateman noted an improvement as the percentage of recommendations with unknown status had decreased. However, Members of the Committee commented that having 28 recommendations with unknown status required more work to be put into the matter and requested an update to be provided at the next Committee meeting.

The Chair of the Committee expressed concern that the amount of additions and removals to and from the original plan was too high compared to what was expected. He advised the Committee that Members should consider carefully what should be included in the next plan.

Members enquired as to why the Parking Enforcement Audit had been removed from the Plan. In response, Vanessa Bateman clarified that it had been taken out because there had been an internal investigation and it had been decided not to conduct risk audit on the top of it. The investigation had not been concluded so the Audit Services would look at the assurance maps, risk maps, risks identified and the auditing needs of Parking Enforcement, including Blue badge, early in the next financial year. She confirmed that this had been agreed with Amar Dave (Strategic Director, Regeneration and Environment). This led to a discussion about the process of authorisation of removals and additions to the Plan and it was clarified that directors had been consulted and information had been provided to the Committee to challenge decisions. Vanessa Bateman added that work on the new 2017/18 Plan would start in January so it could be put in place from April onwards.

The Vice-Chair noted the high number of reports to be delivered in the current plan and asked Vanessa Bateman if she felt comfortable to achieve this target. She responded that it would not be easy to complete all reports on time, but she felt this could be possible as tasks had been moved around and regular meetings with PwC had been set up. She said that the only area where the team was behind was schools because of the complete change in approach. However, this had been

prioritised and resources had been allocated to it. This statement raised a question which related to any potential additional fees incurred by the additional work, however, the Committee was assured that the plan would be delivered within the fixed fee.

The Chair of the Committee commented that 28 recommendations with unknown status were still too many (26.7%) and said that this could not go on being accepted and, therefore, needed to be re-examined.

Vanessa Bateman explained that outcomes of internal fraud investigations were outlined in table 5 and paragraph 5.3 of the report (pages 58-59 of the Agenda Pack). She emphasised that the Service was looking into how it could communicate external and internal messages about fraud.

Vanessa Bateman gave an overview of the three different types of fraud which were addressed in the report: internal, housing tenancy and other external fraud, information about which could be found in sections 5, 6, 7 of the Report (pages 58 – 62 of the Agenda Pack). In terms of Housing Tenancy Fraud, she drew the Committee's attention to section six of the report (pages 60-61 of the Agenda pack), stating that fraud managers worked with Brent Housing Partnership (BHP) to prevent and identify fraud. The Chair acknowledged the progress achieved and asked the Service to continue its work as it was on track to achieve its target of 51 cases (26 cases had been identified as fraud since the start of the financial year).

The Committee commented that there had never been a case of fraud involving ZipCar before so ways to prevent it must be looked at.

The Committee acknowledged the Internal Audit 2nd Internal Audit and Counter Fraud Progress Report – 2016/17 (page 63 of the Agenda Pack) and paid special attention to Business Continuity (page 68 of the Agenda Pack). Conrad Hall (Chief Finance Officer) noted that while there were issues associated with Business Continuity (which related to a lack of sufficient details, implementation at a devolved departmental level, and response to non-standard incidents), positive messages (improvement of the implementation of current control) had been recognised and a report had been sent to the Corporate Management Team.

There were no further questions and it was **RESOLVED** that the progress made in delivering the 2016/17 Internal Audit Plan and the associated counter fraud work be noted.

11. Risk Management Arrangements and Strategic Risk Register Update

Vanessa Bateman (Interim Head of Audit and Investigation) presented the Council's current Strategic Risk Register and provided an update on an on-going review of Risk Management, the full outcome of which would be available at the next meeting of the Committee. She spoke of a conversation she had had with the Chief Executive, Ms Carolyn Downs, which focused on high risk areas and which concluded that the audit of risk management arrangements was to be reviewed.

Vanessa Bateman explained that risk had been examined at service and directorate level and that the Strategic Risk Register had been updated by risk owners and had been presented for challenge at the Risk Management Group (which consisted of

senior officers across the Council) before being agreed by the Corporate Management Team (CMT). She noted that there was evidence of strong understanding of risk within services and management action to mitigate it but that the formal documentation held to support the process did not always reflect this as robustly and consistently as required.

Vanessa Bateman informed the Committee that she had been tasked with reviewing and challenging the contents of the Risk Management Strategy and she would report back with options to CMT in March before bringing a refreshed Strategy and revised Risk Register to the next Committee.

Members of the Committee commented that risk ownership must be extended to the Cabinet and all Councillors to ensure that residents and officers would be aware that there was a risk register which had been regularly monitored. The Vice-Chair supported this view by stating that the Corporate Risk Register be referred to the Cabinet on a more regular basis.

RESOLVED that:

- (i) The contents of the Risk Management Arrangements and Strategic Risk Register report be noted;
- (ii) The progress and objectives of the planned review also be noted;
- (iii) An update to the Strategic Risk Register be prepared for the next meeting of the Committee in March 2017;
- (iv) The full outcome of the review of Risk Management be reported to the Committee at the next meeting in March 2017.

12. Exclusion of press and public

RESOLVED that the press and public be excluded from the meeting as the following report contains the following category of exempt information as specified in the Local Government Act 1972 namely:

Information relating to the financial or business affairs of any particular person (including the authority holding that information).

13. Review of Shared Service

Peter Gadsdon (Director of Performance, Policy and Partnerships) introduced a report which examined the effectiveness of the current internal audit arrangements which had come into effect in October 2015 following the Council's agreement to enter into a shared arrangement for its internal audit service with the London Boroughs of Ealing and Hounslow in June 2015. The report highlighted successful practices and areas that required improvement.

The Committee heard three options regarding the future of the shared internal audit and investigation arrangements.

A Member of the Committee proposed that the existing agreement be continued for a period of one year.

On a vote being taken by a show of hands, the PROPOSAL was declared **LOST**.

The Committee voted on the recommendation to terminate the existing agreement.

On a vote being taken by a show of hands, the PROPOSAL was declared **CARRIED**.

RESOLVED that:

- (i) The contents of the Review of Shared Audit Service be noted; and
- (ii) To recommend to the General Purposes Committee that the Audit Shared Service Arrangement be terminated.

14. Any Other Urgent Business

None.

15. Date of Next Meeting

The date of the next meeting of the Audit Committee was scheduled to take place on 20 March 2017 at 7 pm.


The meeting closed at 9:35 pm.

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Chair

The meeting closed at 9.35 pm

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Chair

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 Brent	<p>Audit Committee 20 March 2017</p> <p>Report from the Director of Performance, Policy and Partnerships</p>
Wards affected: ALL	
The Role of the Audit Committee in Local Government Ombudsman (LGO) Reports	

1.0 Summary

- 1.1 This report has been requested by the Audit Committee and sets out the role of the Committee in the rare event of the Local Government Ombudsman (LGO) issuing a report against the Council.

2.0 Recommendations

- 2.1 Audit Committee is asked to note its role of helping the organisation use the learning from an LGO report to improve Council services.

3.0 Detail

LGO Complaints Process and Reports

- 3.1 The LGO regularly receives requests to review complaints. Usually, the LGO will only consider investigating complaints that have already been through the Council's complaints process, although they have discretion to investigate complaints that have not been through the Council's process.
- 3.2 Some requests to review a complaint are not taken forward by the LGO when the request is deemed to have insufficient merit. The LGO will then take forward the other cases and issue a decision statement on these cases (e.g. upheld or not upheld).
- 3.3 In a very small number of cases the LGO may issue a report to highlight wider/significant issues or lessons learned. In such cases, the LGO writes directly to the Chief Executive about the report and as part of the process the

Council must put a public announcement in two local newspapers. The report must also be considered by the relevant member body.

- 3.4 The LGO has issued two reports against the Council in about the last five years and therefore this is a rare occurrence. If a report is issued against the Council it will be considered by Full Council (or a committee with delegated authority) if it concerns non-executive functions, or considered by the Cabinet if it concerns an executive function. The member body's role is to help the organisation, along with Council officers, to use the learning from the report to improve Council services.

4.0 Financial Implications

- 4.1 There are no direct financial implications arising from this report.

5.0 Legal Implications

- 5.1 There are no direct legal implications arising from this report.

6.0 Equality Implications

- 6.1 None.

7.0 Staffing/Accommodation Implications (if appropriate)

- 7.1 None

Background Papers

None

Contact Officers

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PETER GADSDON
DIRECTOR, PERFORMANCE, POLICY AND PARTNERSHIPS



External audit progress report

London Borough of Brent
External audit 2016-17

20 March 2017

External Audit Progress Report

Update on audit team

We would like to inform the Audit Committee that Andrew Sayers, a partner based in our London office, is replacing Philip Johnstone as the engagement lead on the audit. Andrew has already met with Carolyn Downs, Althea Loderick and Conrad Hall to help ensure a smooth handover from Philip. Andrew has a wide experience of audit and is currently the engagement lead at five other London boroughs as well as KPMG's national Lead Partner for Public Sector audit. .

Since the last meeting of the Audit Committee in January 2017 we have...

- Issued and agreed our grants report which is a separate item on the agenda;
- Reviewed the Council's response to the six objections to the 2015/16 accounts and are requesting additional information or clarification on some of the documents supplied;
- Met with Carolyn Downs, Althea Loderick and Conrad Hall as part of our planning processes and issued our audit plan for 2016/17 which is a separate item on the agenda;
- Held early discussions on the timing and approach to the interim and opinion audit visits; and
- Started our interim work on updating our knowledge of your financial systems and carrying out testing of some key controls..

Ahead of the next meeting of the Audit Committee we will...

- Complete our interim audit visit and feedback our findings to officers and report these to the Audit Committee in our progress report; and
- Progress our review of the six objections we have received.

We ask the Audit Committee to:

- **NOTE** this progress report
- **NOTE** the Grants report
- **APPROVE** the Audit Plan

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The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

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External Audit Plan 2016/2017

London Borough of Brent

February 2017

Financial Statement Audit

There is one significant changes to the Code of Practice on Local Authority Accounting in 2016/17, which is the new format for the Comprehensive Income and Expenditure Account and Movement in Reserves Statement together with a new Expenditure and Funding Analysis statement. This will require prior years comparatives to be restated.

Materiality

Materiality for planning purposes has been set at **£12 million** for the Authority and **£6 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 Authority and **£300,000** 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:

- Management override of controls (Authority and Pension Fund);
- Triennial Pensions Valuation (Authority and Pension Fund).
- Property, Plant and Equipment – valuation of land and buildings and Council dwellings (Authority only);
- Fraudulent revenue recognition for section 106 income (Authority only);
- Fund manager investments (Pension Fund only)

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:

- New format for Comprehensive Income and Expenditure Statement and Movement in Reserves Statement and new Expenditure and Funding Statement (Authority only)

See pages 3 to 8 for more details

Value for Money Arrangements work

We have completed our initial VfM risk assessment and have not identified any significant risks for the VfM conclusion.

We have identified financial resilience as an area for audit focus, given the financial pressures the Authority is currently facing.

See pages 9 to 12 for more details.

Logistics

Our team is:

- Andrew Sayers – Partner
- Steve Lucas – Senior Manager
- Sasja Neumann – Assistant Manager

More details are on **page 15**.

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 14**.

Our planned fee for the audit is £199,590 (2015/16: £199,590) for the Authority, £21,000 (2015/16: £21,000) for the Pension Fund, and £22,155 (2015/16 : £21,663) for the certification of grant claims and returns.

See page 13 for more details.

Introduction

Background and Statutory responsibilities

This document supplements our Audit Fee Letter 2016/17 presented to you in April 2016, 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.

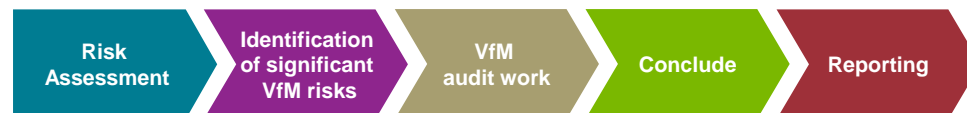
Financial Statements Audit

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 8 provides more detail on the activities that this includes. This report concentrates on explaining the VfM approach for the 2016/17 and the findings of our VfM risk assessment.



Financial statements audit planning: Authority

Financial Statements Audit Planning: Authority

Our planning work takes place during January and February 2017. 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 Authority'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, annual central Government grants and social services income 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 that span financial years and often have to be used on specific projects.

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.



Key:

- Significant risks
- Other area of audit focus
- Example other areas considered by our approach

Financial statements audit planning: Pension Fund

Financial Statements Audit Planning: Pension Fund

Our planning work takes place during January and February 2017. This involves the following key aspects:

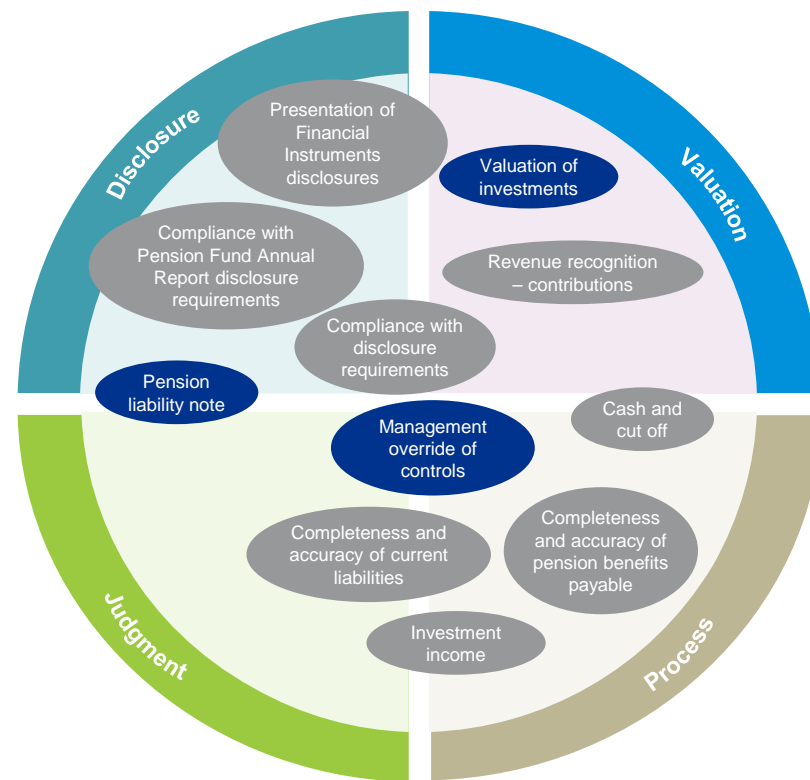
- Risk assessment;
- Determining our materiality level; and
- Issuing this audit plan to communicate our audit strategy.

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.



Key:

- Significant risk
- Other area of audit focus
- Example other areas considered by our approach

Financial statements audit planning (cont.)

Significant Audit Risks

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

Risk : Significant changes in the pension liability due to LGPS Triennial Valuation (Authority and Pension Fund)

During the year, the Pension Fund has undergone a triennial valuation with an effective date of 31 March 2016 in line with the Local Government Pension Scheme (Administration) Regulations 2013. The share of pensions assets and liabilities for each admitted body is determined in detail, and a large volume of data is provided to the actuary to support this triennial valuation.

The pension numbers to be included in the financial statements for 2016/17 will be based on the output of the triennial valuation rolled forward for the Authority to 31 March 2017. For 2017/18 and 2018/19 the actuary will continue to roll forward the valuation for accounting purposes (IAS 19) based on more limited data.

There is a risk that the data provided to the actuary for the triennial valuation exercise is inaccurate and that these inaccuracies affect the actuarial figures in the accounts.

For both the triennial valuation and the roll forwards of the valuation to 31 March 2017, the actuary will use assumptions for items such as life expectancy of members, inflation, pay rises and discount rates. Small differences in these assumptions can lead to material changes in the liability.

The Pension Fund includes limited disclosures around actuarial pensions liabilities but these are key to understanding the financial position of the Pension Fund.

Approach : As part of our audit of the Authority and Pension Fund, we will undertake work on a test basis to agree the data provided to the actuary back to the systems and reports from which it was derived and to understand the controls in place to ensure the accuracy of this data. This work will be focused on the data relating to the Authority but also corroborating the data used to that which is generated to request pension payments.

We will also review the data provided by the Authority to the actuary that was used in roll forward exercise in estimating the pension liability at 31 March 2017.

We will use our experts to review the assumptions used by the actuary in the calculation of the pension liability.

Risk : Property, Plant and Equipment: Valuation of Council dwellings and Other Land and Buildings (Authority only)

In 2015/16 the Authority reported Property, Plant and Equipment of £606 million related to Land and Buildings and £636 million related to 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. During the 2015/16 audit we also identified a number of audit adjustments relating to Property, Plant and Equipment.

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 : As part of our audit of the Authority, we will understand and gain assurance over accuracy of the information supplied by the Authority to the valuer. We will also review 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 to the year end.

Risk : Revenue Recognition for section 106 income (Authority Only)

We do not consider revenue recognition to be a significant risk for the majority of the Authority's income streams as there are limited incentives and opportunities to manipulate the way income is recognised. However, due to the increasing importance of amounts received under Section 106 of the Town and Country Planning Act 1990 and how these can be used, we have not rebutted the risk for this income stream.

Approach : As part of our audit of the Authority we will incorporate specific work in our audit plan over section 106 income and how it is accounted for and used over and above our standard audit procedures.

Financial statements audit planning (cont.)

Risk : Fund Manager Investments (Pension Fund only)

The Pension Fund held net investment assets of £675 million at 31 March 2016 and currently these have increased in value to over £800 million. These investments, some of which are unquoted (£130 million at 31 March 2016), are held by Fund Managers and will be valued at 31 March 2017.

Given the value of the investments, and that some of the investments are unquoted which means estimates may be required, we consider this to be a significant risk.

Approach : We will obtain direct confirmations from the Fund managers, London collective investment vehicle and custodians and audit the reconciliations between the them. We will also review the ISAE3402 compliance reports on each Fund Manager to confirm we are satisfied with the controls or whether there are any local additional procedures we need to complete.

We will also test a sample of valuations, focusing on the unquoted investments.

Other area of audit focus

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

Risk : New format of the core financial statements (Authority only)

CIPFA has been working with stakeholders to develop better accountability through the financial statements as part of its 'telling the whole story' project. The key objective of this project was to make Local Government accounts more understandable and transparent to the reader in terms of how Councils are funded and how they use the funding to serve the local population. Outcome of this project resulted in two main changes in respect of the 2016-17 Local Government Accounting Code (Code) as follows:

- Allowing local authorities to report on the same basis as they are organised by removing the requirement for the Service Reporting Code of Practice (SeRCOP) to be applied to the Comprehensive Income and Expenditure Statement (CIES); and
- Introducing an Expenditure and Funding Analysis (EFA) which provides a direct reconciliation between the way local authorities are funded and prepare their budget and the CIES. This analysis is supported by a streamlined Movement in Reserves Statement (MIRS) and replaces the current segmental reporting note

As a result of these changes , retrospective restatement of CIES (cost of services) , EFA and MiRS is required from 1 April 2016 in the Statement of Accounts. New disclosure requirements and restatement of accounts require compliance with relevant guidance and correct application of applicable Accounting Standards . Though less likely to give rise to a material error in the financial statements , this is an important material disclosure change in this year's accounts , worthy of audit understanding.

Approach : We will assess how the Authority has actioned the revised disclosure requirements for the CIES, MiRS and the new EFA statement as required by the Code and check the restated numbers and associated disclosures for accuracy, presentation and compliance with the Code guidance.

Financial statements audit planning (cont.)

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.

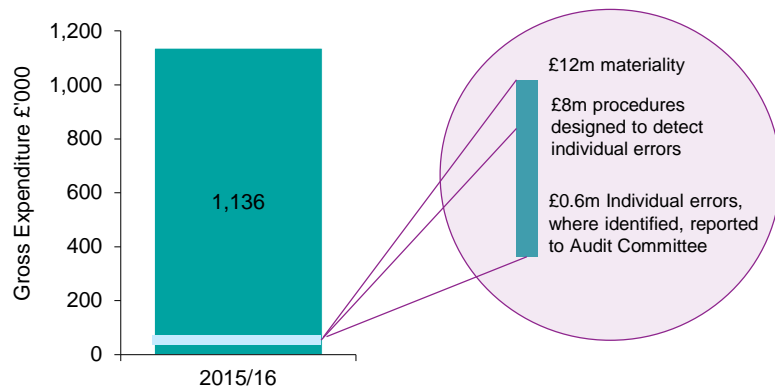
Generally, we would not consider differences in opinion in respect of areas of judgement to represent 'misstatements' unless the application of that judgement results in a financial amount falling outside of a range which we consider to be acceptable.

For the Authority, materiality for planning purposes has been set at £12 million, which equates to 1.1% of gross expenditure. This is same as last year

For the Pension Fund, materiality for planning purposes has been set at £6 million. This has increased from the prior year figures used of £5 million due to increases in the value of investments held by the Authority.

We design our procedures to detect errors in specific accounts at a lower level of precision.

Materiality for the Authority based on prior year gross expenditure



We design our procedures to detect individual errors. For the Authority this is £8 million, and for the Pensions Fund this is £4.5 million for the year ended 31 March 2017, 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) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. 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 Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £600,000.

In the context of the Pension Fund, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £300,000.

If management has 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.

Financial statements audit planning (cont.)

Group audit

In addition to the Authority we deem Brent Housing Partnership to be significant in the context of the group audit.

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

We will report the following matters in our Report to those charged with Governance:

- Any deficiencies in the system of internal controls or instances of fraud which the subsidiary auditors identify;
- Any limitations on the group audit, for example, where our access to information may have been restricted; and
- Any instances where our evaluation of the work the subsidiary auditors gives rise to concern about the quality of that auditor's work.

Liaising with internal audit

ISA (UK & Ireland) 610 (revised June 2013) defines how we can use the work of internal audit. Our approach ensures we comply with these requirements. We will liaise with internal audit and review the findings from their programme of work for 2016-17. We will also consider any significant control deficiencies identified by internal audit and ensure that we take this into account where relevant to determine the nature of our audit work to ensure the risk is appropriately addressed.

Value for money arrangements work

Background to approach to VfM work

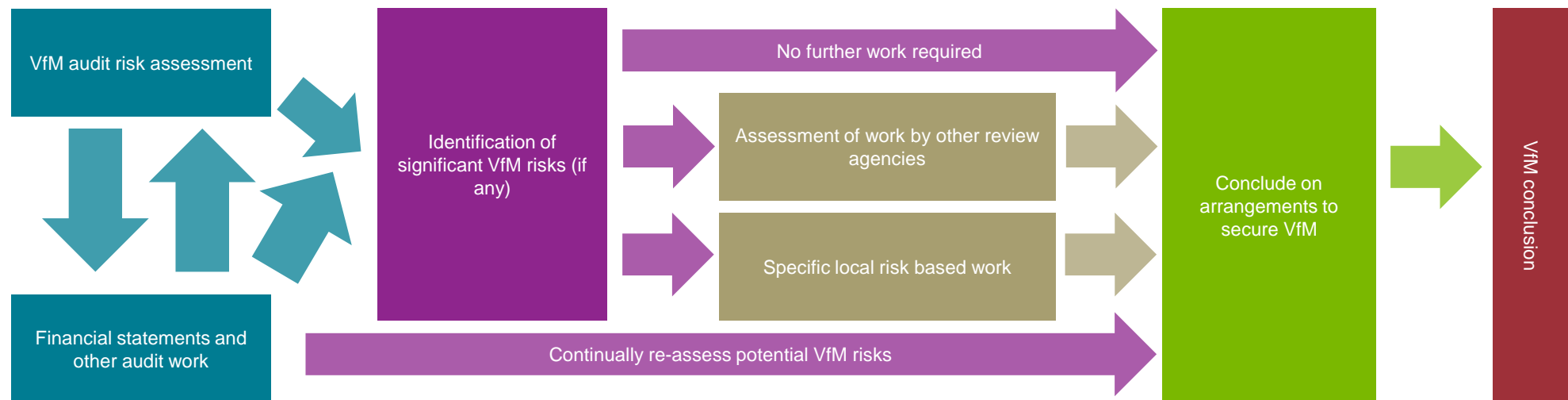
The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the authority 'has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'.

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 2015/2016 and the process is shown in the diagram below. The diagram overleaf shows the details of the criteria for our VfM work.

We have completed our initial VfM risk assessment and have not identified any significant risks for the VfM conclusion. On financial sustainability the Authority has a good track record of responding to producing a balanced budget which is subsequently delivered. Nevertheless we have identified financial resilience as an area for audit focus where we will keep a watching brief. The Authority continues to face ongoing financial pressures while needing to maintain a statutory and quality level of services to local residents. We will review overall management arrangements that the Authority has for managing its financial position. This will include the processes to maintain 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 Cabinet.

We conclude on whether, in all significant respects, the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.



Value for money arrangements work (cont.)

Overall criterion

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Informed decision making

Proper arrangements:

- Acting in the public interest, through demonstrating and applying the principles and values of sound governance.
- Understanding and using appropriate and reliable financial and performance information to support informed decision making and performance management.
- Reliable and timely financial reporting that supports the delivery of strategic priorities.
- Managing risks effectively and maintaining a sound system of internal control.

Sustainable resource deployment

Proper arrangements:

- Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.
- Managing and utilising assets to support the delivery of strategic priorities.
- Planning, organising and developing the workforce effectively to deliver strategic priorities.

Working with partners and third parties

Proper arrangements:

- Working with third parties effectively to deliver strategic priorities.
- Commissioning services effectively to support the delivery of strategic priorities.
- Procuring supplies and services effectively to support the delivery of strategic priorities.

Value for money arrangements work (cont.)

VfM audit stage	Audit approach
VfM audit risk assessment	<p>We consider the relevance and significance of the potential business risks faced by all local authorities, and other risks that apply specifically to the Authority. These are the significant operational and financial risks in achieving statutory functions and objectives, which are relevant to auditors' responsibilities under the <i>Code of Audit Practice</i>.</p> <p>In doing so we consider:</p> <ul style="list-style-type: none"> ■ The Authority'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 Authority's organisational control environment, including the Authority's financial management and governance arrangements, many aspects of which are relevant to our VfM audit responsibilities.</p> <p>We have always sought to avoid duplication of audit effort by integrating our financial statements and VfM work, and this will continue. We will therefore draw upon relevant aspects of our financial statements audit work to inform the VfM audit.</p>
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 Authority 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 Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Value for money arrangements work (cont.)

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 Authority; ■ 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 Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources.</p> <p>If any issues are identified that may be significant to this assessment, and in particular if there are issues that indicate we may need to consider qualifying our VfM conclusion, we will discuss these with management as soon as possible. Such issues will also be considered more widely as part of KPMG's quality control processes, to help ensure the consistency of auditors' decisions.</p>
<p>Reporting</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>If considered appropriate, we may produce a separate report on the VfM audit, either overall or for any specific reviews that we may undertake.</p> <p>The key output from the work will be the VfM conclusion (i.e. our opinion on the Authority's arrangements for securing VfM), which forms part of our audit report.</p>

Other matters

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 2016/17 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.

Our audit team

Our audit team will be led by Andrew Sayers, Partner, Steve Lucas, Senior Manager, and Sasja Neumann, Assistant Manager. 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 4 provides more details of our confirmation of independence and objectivity.

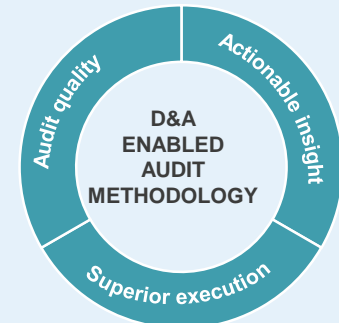
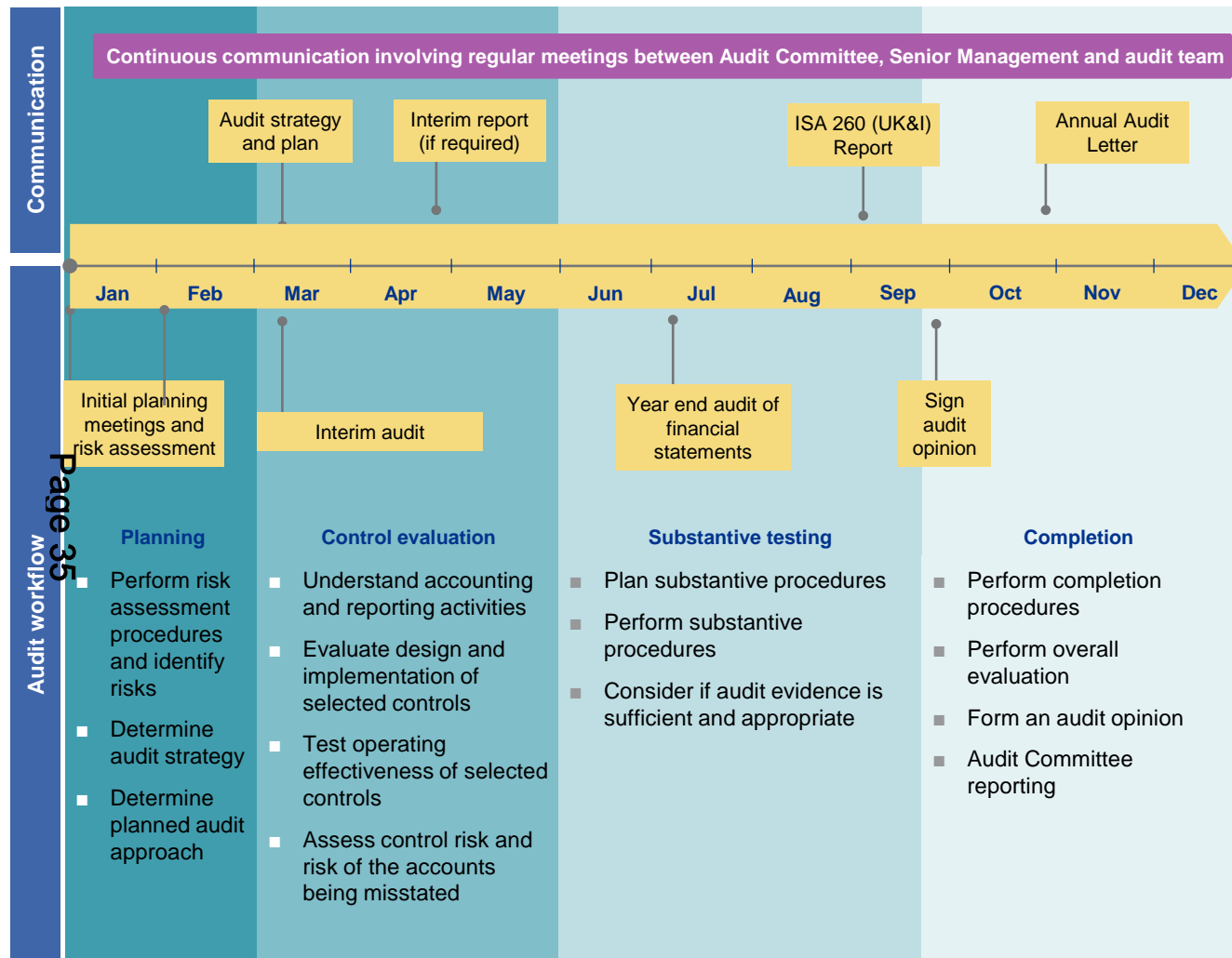
Audit fee

Our Audit Fee Letter 2016/2017 presented to you in April 2016 first set out our fees for the 2016/2017 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 the 2016/17 Code of Practice audit is £199,590 (2015/16: £199,590)
- The planned audit fee for the Pension fund is £21,000 (2015/16 £21,000)
- The planned audit fee for the certification of grant claims and returns is £22,155 (2015/16 £21,633:).

Note our audit fee may be varied, subject to agreement with PSAA, for changes in the Code, specifically this year for the changes in relation to the disclosure associated with retrospective restatement of the Comprehensive Income and Expenditure Account and the Movement in Reserves Statement and the new Expenditure and Funding Analysis.

Appendix 1: Key elements of our financial statements audit approach



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. We also expect to provide insights from our analysis of these tranches of data in our reporting to add further value from our audit.

Appendix 2: Audit team

Your audit team has been drawn from our specialist public sector assurance department. Andrew Sayers, a partner within our Public Sector Department, is replacing Philip Johnstone and will bring a fresh insight to the audit. The other key members of the audit team were all part of the London Borough of Brent audit last year.



Andrew Sayers

Partner

+44 7802 975171

andrew.sayers@kpmg.co.uk

Name	Andrew Sayers
Position	Partner
	'My role is to lead our team and ensure the delivery of a high quality, valued added external audit opinion. I will be the main point of contact for the Audit Committee, Chief Executive, Strategic Directors and Chief Finance Officer.'



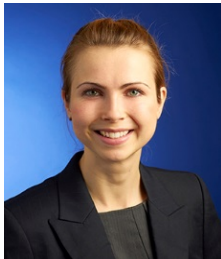
Steve Lucas

Senior Manager

+44 7825 008 824

stephen.lucas@kpmg.co.uk

Name	Steve Lucas
Position	Senior Manager
	'I provide quality assurance for the audit work and specifically any technical accounting and risk areas. I will work closely with director to ensure we add value. I will liaise with the Chief Finance Officer and the Finance Team throughout the audit.'



Sasja Neumann

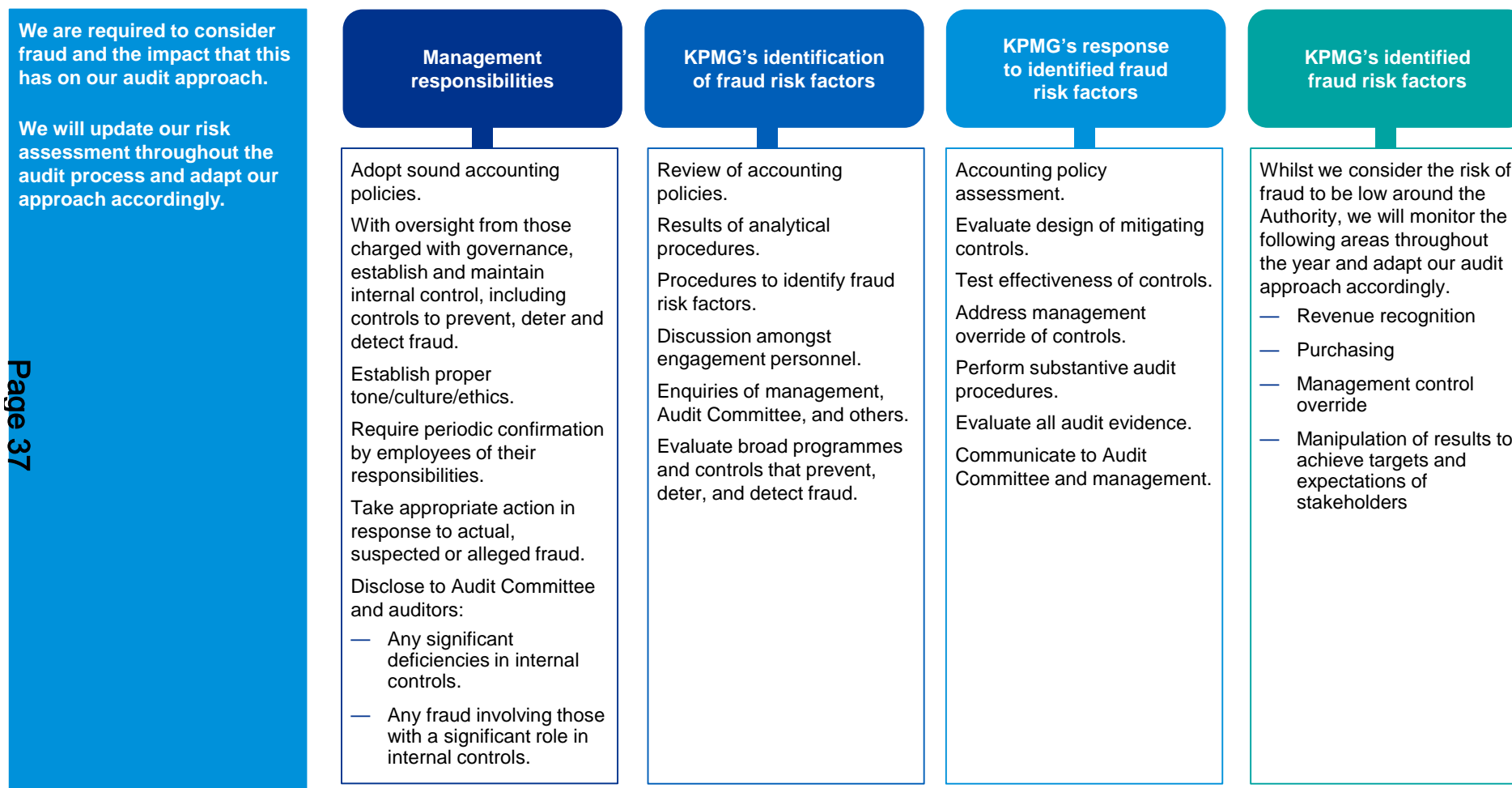
Assistant Manager

+44 7554 227 932

sasja.neumann@kpmg.co.uk

Name	Sasja Neumann
Position	Assistant Manager
	'I will be responsible for the on-site delivery of our work and will supervise the work of our audit assistants.'

Appendix 3: Responsibility in relation to fraud



Appendix 4: Independence and objectivity requirements

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 Corporate Committee.

KPMG LLP is committed to being and being seen to be independent. APB Ethical Standards require 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 6 February 2017 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.

Appendix 5: KPMG Audit Quality Framework

We continually focus on delivering a high quality audit.

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

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

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

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

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

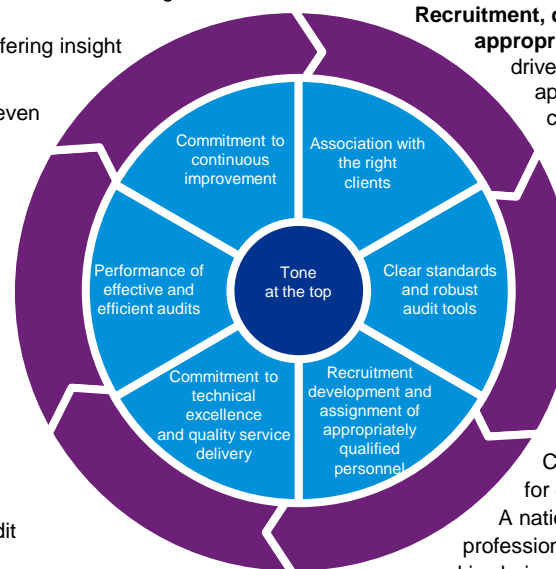
We believe it is important to be transparent about the processes that sit behind a KPMG audit report, so you can have absolute confidence in us and in the quality of our audit.

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

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

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

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



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

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

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

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

All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications.

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



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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. 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 Neil Thomas, the engagement lead to the Authority, 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.



Annual Report on grant claims and returns 2015/16

London Borough of Brent

—

February 2017

Contents

Page 42

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Senior Manager, KPMG LLP

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	Page
Headlines	3
Summary of certification work outcome	4
Prior year recommendation	6
Fees	7
Appendix One – Action taken by Council on Housing Benefit findings	8

This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. Public Sector Audit Appointments issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment’s website (www.psaa.co.uk).

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Headlines

Introduction and background

This report summarises the results of work we have carried out on the Council's 2015/16 grant claims and returns.

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 2015/16 is:

- Under the Public Sector Audit Appointments arrangements we certified the Council's 2015/16 Housing Benefit Subsidy claim. This had a value of £370 million.
- Under separate assurance engagements we certified two returns as listed below.
 - Teachers' Pension Return (£15 million); and
 - Pooling of Housing Capital Receipts (£9 million).

Certification and assurance results (Pages 4-5)

Our certification work on Housing Benefit Subsidy claim included:

- agreeing standard rates, such as for allowances and benefit incomes, to the DWP Circular communicating the value of each rate for the year;
- sample testing of benefit claims to confirm that the entitlement had been correctly calculated and was supported by appropriate evidence;
- undertaking an analytical review of the claim form considering year-on-year variances and key ratios;
- confirming that the subsidy claim had been prepared using the correct benefits system version; and
- completing testing in relation to modified schemes payments, uncashed cheques and verifying the accurate completion of the claim form.

Following the completion of our work, the claim was subject to a qualification letter in relation to the following two items:

- Errors in the calculation of claimants eligible self employed income which is used to calculate the housing benefits payable – there was a similar qualification in 2014/15; and
- Errors in the calculation of claimants eligible earned income which is used to calculate the housing benefits payable.

An adjustment on the value of Modified Schemes of £3,314 within the claim was also made as a result of the audit but this had no impact on the subsidy claimed.

Our work on the other grant assurance engagements resulted in unqualified assurance reports for both the Teachers' Pension Return and Pooling of Housing Capital Receipts Return. There was a minor adjustment to the bottom line of the Teachers' Pension Return of £1,068.

Recommendations (Page 6)

We have expanded on one of the recommendations made last year which was not implemented. The other two recommendations from last years' work on grants and returns were implemented and testing did not identify any similar issues this year.

Fees (Page 7)

Our proposed fee for certifying the Council's 2015/16 Housing Benefit Subsidy claim is £21,663 (2014/15 £27,321). This is in excess of the indicative fee set by PSAA of £20,815 due to additional testing required.

Our fees for the other assurance engagements were subject to agreement directly with the Council and totalled £6,000.

Summary of reporting outcomes

Overall, we carried out work on three grant claims and returns:

— one was qualified with amendments;

— one was unqualified but required amendment; and

One was unaqualified with no amendments required.

Detailed comments are provided overleaf.

Page 44

Detailed below is a summary of the reporting outcomes from our work on the Council's 2015/16 grant claims 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 is appropriate.

	Comments overleaf	Qualified	Significant adjustment	Minor adjustment	Unqualified
Public Sector Audit Appointments regime					
— Housing Benefit Subsidy	1				
Other assurance engagements					
— Teachers' Pension Return	2				
— Pooling of Housing Capital Receipts Return	3				
		1	0	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.

Page 45

Ref	Summary observations	Amendment
1	<p>Housing Benefit Subsidy Claim</p> <p>Our initial testing of 60 cases identified one error where the Council had underpaid housing benefit subsidy by £92.98 due to an error in the calculation of earned income. The Council checked 40 similar cases for earned income and found a further nine errors. Two of these errors resulted in £19.02 being overpaid. The other seven either resulted in an underpayment or no change in benefit paid and thus had no impact on the housing benefit claim. While the impact of the extrapolation of the figure on the claim was only £327, the percentage of earned income being incorrectly calculated is over 20%.</p> <p>As a result of errors in previous years in relation to the calculation of self employed income for benefit purpose (32 errors out of 126 cases tested in 2014/15), we carried out additional testing on claims where the claimant had self employed income. Our testing of 125 such cases found errors in 53 of the cases (42%) of which 14 resulted in the claimant being overpaid housing benefits. Our extrapolation on the claim of the 14 overpayments totalled approximately £235,000. 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 if the Department decided to use this figure to revise the claim.</p> <p>As part of the process of additional testing due to errors in the previous years, the Council carried out the first check from a sample chosen by us. We then re-performed the test on a number of claims to ensure the Council had tested the claims correctly. We found though errors in the Council's testing and had to request that the testing was revisited. Our further re-performance found errors again and the Housing Benefit manager then reviewed all the cases to ensure the Council's findings were accurate. We then re-performed further tests on these results and found them to be accurate. This has led to an additional proposed audit fee.</p>	No impact on claim
2	<p>Due to the above and delays in providing other information, the claim missed the deadline by six days.</p> <p>Teachers' Pension Return</p> <p>The return was submitted to KPMG by the deadline. The return was adjusted for one error of £1,068 relating to a refund not being included in the original return. This was adjusted and we issued an unqualified assurance report although the deadline was not achieved by two days due to an incorrect form being completed.</p>	£1,068 due from the TPA
3	<p>Pooling of Housing Capital Receipts Return</p> <p>The return was submitted to KPMG by the deadline. The working papers supported the return and there were no matters arising. We issued an unqualified assurance report by the audit deadline.</p>	No amendment

Prior year recommendations

We made three recommendations in our 2014/15 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 2016	Management comments
Housing Benefit				
1 Page 46	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 the Council had developed an improvement plan which included additional checks, our findings this year was that the number of errors on the calculation of self employed income used to calculate housing benefit had increased to 42% of all claimants. This resulted in both under and overpayments to claimants.	See Appendix One

Fees

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 grant claims and returns in 2015/16 was £27,663.

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 2015/16 of £20,815. Due to additional work we were required to complete as described on page 5, our proposed fee is higher. This is subject to approval by PSAA.

Grants subject to other assurance engagements

The fees for our assurance work on other returns are agreed directly with the Council. Our fees for 2015/16 were in line with those in 2014/15.

Breakdown of fees for grants and returns work

Breakdown of fee by grant claim and returns		
	2015/16 (£)	2014/15 (£)
Housing Benefit Subsidy claim	21,663	29,540
Teachers' Pension Return	3,000	3,000
Pooling of Housing Capital Receipts	3,000	3,000
Total fee	27,663	35,540

Appendix One: - Action taken by Council on Housing Benefit findings

Background

As highlighted in the supporting document, “Summary of Self Employed Errors & Remedial Actions” - which was issued as an appendix to the 2014/15 grant certificate – ongoing issues around the processing of Self Employed income had already been identified during the course of 2015/16, and activities to improve performance in this area had been planned. Therefore, the findings of the 2015/16 Subsidy Audit are commensurate with our own findings and expectations during the 2015/16 year.

2015/16 Subsidy Audit Error rates

It is acknowledged that the rate of error has increased, with 42% of claims with self-employed income being subject to some form of error. Whilst only 30% of claims had an error that actually impacted the level of entitlement the customer received, it is accepted that this rate of error is still outside acceptable levels.

Category	Number of Claims in Category	% of Claims in Category
Correct	72	58%
No Impact	16	13%
Overpaid	14	11%
Underpaid	23	18%
Total:	125	100%

Further analysis has been carried out to look at the dates from which each of the self-employed incomes were loaded in order to evaluate whether there was an improvement for those which were loaded following the controls introduced during February 2015. It should be noted that a number of claims had multiple periods of self-employed income, with 149 different self-employed income periods checked in total for the 125 claims checked overall.

Appendix One: – Action taken by Council on Housing Benefit findings

Further analysis has been carried out to look at the dates from which each of the self-employed incomes were loaded in order to evaluate whether there was an improvement for those which were loaded following the controls introduced during February 2015. It should be noted that a number of claims had multiple periods of self-employed income, with 149 different self-employed income periods checked in total for the 125 claims checked overall.

Looked at overall, not split between pre and post February 2015, rates of error were marginally better when looked at by each individual income – with 38% of self-employed incomes being subject to error, and 27% affecting entitlement – though were still outside of acceptable levels.

Outcome	SE Income Outcomes Loaded Pre Feb 2015 controls (Number)	SE Income Outcomes Loaded Pre Feb 2015 controls (%)	SE Income Outcomes Loaded post Feb 2015 controls (Number)	SE Income Outcomes Loaded post Feb 2015 controls (%)	Total (Numbers)	Total (%)
Correct	59	64%	34	61%	93	62%
No Impact	7	8%	9	16%	16	11%
Underpaid	17	18%	9	16%	26	17%
Overpaid	9	10%	5	9%	14	10%
Total	92	100%	57	100%	149	100%

Looking at the outcome breakdown's, split between pre and post February 2015, there is no discernible difference or improvement. In fact the proportion of incomes deemed to be processed correctly fell from 64% to 60%, although the number of errors that impacted the level of entitlement a customer is awarded also decreased from 28% to 25%.

Ongoing Activity for improvements and monitoring of self-employed income

Briefing sessions were carried out during quarter 4 of 2015/16 in order to raise awareness of the issues identified in relation to Self Employed income and to outline a new policy which would provide a simplified approach to the processing of Self Employed income moving forward. As also outlined in the aforementioned document, a resource was to be made available to carry out an interventions exercise on Self Employed claims.

Unfortunately the full implementation of the revised Self Employed policy was delayed pending development of an IT solution, however that development work has now been agreed and scheduled for completion in April 2017. A Self Employed Interventions exercise – applying the principles of the revised policy - started in February 2017 with 144 face to face appointments already arranged during February and early March, with a further 166 due to be scheduled shortly after. In total 2768 self-employed claims will be reviewed during 2017, representing all cases where the current assessment is more than 12 months old.

The interventions exercise will be subject to targeted quality checks during February, March, April and May 2017 in order to ensure adherence to the revised approach as well as to measure the accuracy of Self Employed claims processed in this way. This, and the interventions exercise itself, will provide confidence regarding self-employed claim assessment accuracy and adherence to revised procedures.

It is proposed that the findings and analysis of the aforementioned quality assurance work be presented to Audit Committee when it convenes in June 2017 in order to provide assurance that the new regime is effective and to outline whether any additional measures are considered necessary




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The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

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 Brent	<p>Audit Committee 20 March 2017</p> <p>Report from the Chief Finance Officer</p>
<p>For Information</p>	<p>Wards Affected: ALL</p>
<p>Draft Internal Audit Strategy, Plan and Internal Audit Charter 2017/18</p>	

1. Summary

- 1.1. This report sets out the Draft Internal Audit Strategy and Plan for 2017/18 and the basis on which the plan has been formulated. The Internal Audit Charter has been appended to the report for consideration and approval.
- 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 Public Sector Internal Audit Standards, the Audit Committee is asked to review and approve the 2017/18 Internal Audit Strategy and Audit Plan along with the Council's Internal Audit Charter. The Audit 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 approve the 2017/18 Internal Audit Strategy within this report.
- 3.2. The Audit Committee note the approach taken to formulate the draft plan for the 2017/18 financial year and approve the content of the plan (Appendix 1). 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.*
- 3.3. The Audit Committee approve the Council's Internal Audit Charter (Appendix 2) in accordance with the requirements of the Public Sector Internal Audit Standards.

4. Detail

Internal Audit Strategy 2017/18

- 4.1. Following a review of the Audit and Investigations Shared Service hosted by the London Borough of Ealing it has been decided that the Council will from early in 2017/18 return to an in house service whilst continuing with the strategic partnership with PricewaterhouseCoopers (PwC) which commenced in June 2016.
- 4.2. This Strategy recognises that 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 objectives.
- 4.3. The audit strategy and planning process reflects that the audit environment is constantly changing, requiring continuous review and re-evaluation to ensure that emerging risks are identified and assessed and included as appropriate in the

audit plan. Specifically, recognising the unprecedented challenges facing Public Sector finances, the strategy must have in built flexibility to consider:

- Issues of local significance and importance;
- New areas of activity;
- Changes to models for service delivery and partnership working;
- Changing issues and priorities;
- Greatest risks to achievement of the Council' s objectives; and
- The impact of change on existing control structures.

4.4 The purpose of the audit strategy is to establish an approach that will enable internal audit to be responsive to change and managed in a way which will facilitate:

- An understanding of assurance needs to enable the provision to Members and management of an overall opinion each year on the Council's risk management, control and governance framework, to support the preparation of the Annual Governance Statement;
- Audit of the Council's risk management, control and governance systems through an approach which assesses risks to Council objectives and prioritises audits accordingly;
- The identification of audit resources required to deliver an audit service which meets the PSIAS and achieves the required level of audit coverage to enable an opinion to be given on the Council's control environment;
- The identification of other sources of assurance from other assurance providers which can be relied upon to inform the focus of internal audit activity;
- Co-operation and working protocols with the external auditors, KPMG, and any other relevant review bodies to ensure that assurance functions work effectively together; and,
- Identification of responsibilities for providing assurance where services are delivered in partnership.

4.5 Based on the budget available for internal audit work, the strategy and audit work make provision for:

- Sufficient coverage of all major financial systems to provide the necessary audit assurance;
- New systems and emerging high risk areas;
- Audit input within change programmes;
- Cross cutting reviews for a selection of corporate themes which link to the Corporate Risk Register;
- Schools audit coverage will be a combination of thematic reviews on key risk areas, allowing lessons to be learnt across the entire establishment of schools, and some focused probity work on a sample of schools;
- Support for corporate governance, with particular focus on governance issues identified in the Council's annual governance statement, ensuring that proposed actions are taken;
- Follow up reviews to monitor implementation of audit recommendations;
- An element for contingency to enable the audit service to provide ad hoc advice and to respond to management requests for support.

4.6 The internal audit plan is prepared on the basis of a risk assessment which is then compared to the audit resources available. Given the level of audit resources available, it is vital that audit work is planned and focused to ensure an efficient and effective use of resources directed at those areas of greatest risk to the Council. The audits on the plan will be allocated to the part of the service best equipped to deliver the required outcome and assurance whilst ensuring value for money.

Internal Audit Plan 2017/18

- 4.7 The Audit Plan continues to focus upon areas of highest risk and is sufficient to provide Members and management with an independent assurance on the adequacy of the Council's internal control framework.
- 4.8 The main factors taken into account in compiling the Audit Plan have been:
- Risk areas arising from 2016/17 audit work or fraud investigations;

- A review of audit themes against the Council's risk register and corporate objectives;
- Historic knowledge and experience accumulated in Internal Audit;
- Changes to the control environment or legislative changes;
- The evolving Assurance Map of the organisation that was developed in 2016/17;
- Key governance issues identified within the Annual Governance Statement;
- Concerns and emerging risks as identified by Operational Management;
- Discussions with the Departmental Management Teams, consultation with the Corporate Management Team, Section 151 Officer to ensure the inclusion of key service developments planned to be delivered in 2017/18;
- Assurances requested by Members;
- Reports provided by other assurance providers;
- Liaison with peers across London; and
- Horizon scanning of emerging risks and issues for consideration.

4.9 The draft Audit Plan has been circulated to Senior Management, and discussed with, the Corporate Management Team. It has also been shared with the Council's external auditor, KPMG, to ensure that, where possible, the contents reflect areas where they require audit assurance.

4.4. The draft plan contained in Appendix 1 of this report is based on the delivery of a total of 66 various audit and assurance projects. The plan will be delivered through a mixture of in-house provision and the outsourced Strategic Partner. Some projects will be completed together to gain efficiency. It is a challenging audit plan seeking to maximise the assurances available to Management and Members as well as the value for money provided by the service.

4.5. The part of the plan relating to Brent Housing Partnership (BHP) was subject to approval by their Audit Committee on 8 March 2017. This plan will change in year to reflect changes in risk or to avoid unnecessary work by the team, as required subject to pending decisions regarding the future of BHP.

5. Internal Audit Charter

- 5.1 A new Internal Audit Charter has been produced in accordance with the Public Sector Internal Audit Standards. It provides a detailed outline of the role of Internal Audit and how the Strategy and Plan will be delivered whilst ensuring compliance with the standards. The Charter is contained in Appendix 2 of this report.

6. Financial Implications

- 6.1. The proposed Internal Audit Plan for 2017/18 will be delivered in accordance within the existing approved budget.

7. Legal Implications

- 7.1. 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.

8. Diversity Implications

- 8.1. None

9. Background Papers

- 9.1. None

10. Contact Officer Details

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CONRAD HALL
Chief Finance Officer

Proposed Audit Plan 2017/18

Page 57

	Audit	Proposed Timing	Directorate/Service	Lead Officer	Proposed Provider	Audit Scope
	CORPORATE/CROSS CUTTING AUDITS					
1	Use of Agency Workers/Interims	Q1	Corporate (CMT will agree scopes of all Corporate Audits and the Draft Report - other audits with CMT noted against them are other audits that have been selected for CMT input)	Head of HR and Organisational Development	In-house	All Corporate Reviews will involve arrangements within a sample of service areas. A lead officer will be identified for the service related work. The organisation has appropriate safeguards in place for engaging agency workers and interims and there is compliance with legislation and approved procedure
2	Contract Management	Q2	Corporate	Director of Performance, Policy and Partnerships / Strategic Director of Resources	PwC	Effective arrangements are in place to safeguard the authority and achieve value for money. This was identified within a number of service areas as part of the audit plan development process. This work follows on from the 2016/17 audit which was phase 1 this year the plan is to drill down into operational activity
3	Grants to Voluntary Organisations	Q1	Corporate	Director Performance, Policy and Partnerships	In-house	Robust arrangements are in place for monitoring outcomes from all Grants allocated by the Council
4	Complaints, FOIs and Member Enquiries	Q1	Corporate	Director Performance, Policy and Partnerships	In-house	Quality of Responses, we are getting it right first time
5	Information Governance (non IT)	Q1	Corporate	Director Performance, Policy and Partnerships	PwC	Non IT controls - to be completed in conjunction with the IT controls audit - includes BHP in scope
6	Risk Management	Q4	Corporate	Chief Executive	PwC	Assurance that the organisation has embedded and realised the benefits of the new RM strategy and approach
7	Management of the Capital Programme	Q3	Corporate	Chief Finance Officer	PwC	Financial Controls and Monitoring

8	Corporate Governance	Q1-4	Corporate	Chief Executive	In-house	Work to feed into the Annual Governance Statement. Also a sample of reviews looking at control environment (Management Controls) within services regarding governance areas.
Total						
RESOURCES DEPARTMENT						
Finance Audits						
9	Continuous Audit & Monitoring - Phase 1	Q2	Finance; Customer Services; Human Resources; and BHP	Head of Finance (Corporate)	PwC	Review of Key Controls : Accounts Payable; Accounts Receivable; General Ledger; Payroll; Housing Benefits; Council Tax; Business Rates(NNDR); Housing Rents (Rent Accounting) ; Recruitment (HR)
10	Continuous Audit & Monitoring - Phase 2	Q4	Finance; Customer Services; Human Resources; and BHP	Head of Finance (Corporate)	PwC	Review of Key Controls : Accounts Payable; Accounts Receivable; General Ledger; Payroll; Housing Benefits; Council Tax; Business Rates(NNDR); Housing Rents (Rent Accounting) ; Recruitment (HR)
11	Insurance	Q3	Finance	Head of Finance	In-house	Strategy, processes inc Risk Management activities
12	Employee Loans	Q1	Finance/HR	Head of HR and Organsational Development	In-house	Compliance and recovery of debts.
13	Pensions Administration	Q2	Finance	Head of HR and Organsational Development	PwC	Assurance regarding the controls around Pensions and Management of the Fund
14	Asset Management	Q3	Property	Head of Strategic Property	PwC	One part of the Corproate Asset Management Strategy
15	BACS Payments	Q1	Financial Services Centre	Head of Financial Services Centre	In-house	Controls over Bacs payments, fraud and error risk minimised.
16	Changes to PCI Requirements	Q1	Customer Services	Director of Brent Customer Services	In-house	Ensuring complaint with new legislative requirements
17	IT Disaster Recovery	Q1	Digital Services	Head of Digital Services	PwC	High Risk Area from the Risk Diagnostic.
18	Access Management	Q2	Digital Services	Head of Digital Services	PwC	High Risk Area from the Risk Diagnostic.
19	IT Security	Q3	Digital Services	Head of Digital Services	PwC	High Risk Area from the Risk Diagnostic.

20	IT Performance Management	Q4	Digital Services	Head of Digital Services	PwC	High Risk Area from the Risk Diagnostic.
21	Information Governance	Q1	Digital Services (CMT)	Head of Digital Services	PwC	To include BHP ref 55
	CHILDREN & YOUNG PEOPLE DEPT					
22	Troubled Families – Extended Programme	Q1-4	Early Help and Education	Head of Early Help	In-house	Payment by Results Grant sign off
23	Troubled Families	Q2	Early Help and Education (CMT)	Head of Early Help	In-house	Review future funding position and assessment of controls in respect of the identification of families and monitoring of progress of interventions
24	School Places Sufficiency	Q2	Early Help and Education (CMT)	OD Safeguarding, Performance and Strategy	PwC	Planning for schools places - monitoring of delivery
25	Effectiveness of Partnership Working across the department	Q1	Cross Departmental	OD Safeguarding, Performance and Strategy / OD Integration and Improved Service	In-house	Ensuring teams are working effectively
26	Early Education Entitlement	Q2	Early Help	Sue Gates	PwC	Adequate quality provision to meet demand
27	Contract Management	Q4	Cross Departmental	OD Safeguarding, Performance and Strategy / OD Integration and Improved Service	In-house	Contract Monitoring and Management
28	Technological Development of systems and processes to support delivery of services	Q1	Cross Departmental	OD Safeguarding, Performance and Strategy / OD Integration and Improved Service	PwC	Service development and transformation
	Schools - Thematic Audits					
29	Major Capital Works	Q1	Schools	Head of Finance / OD Safeguarding, Performance and Strategy	In-house	Thematic Audit
30	Special Educational Needs provision	Q3	Schools	Head of Finance / OD Safeguarding, Performance and Strategy	In-house	Thematic Audit
31	Fraud & Financial Mismanagement In Schools	Q1-4	Schools	Head of Finance / OD Safeguarding, Performance and Strategy	In-house	Sample of schools based on risk
32	Schools Audit Follow Up	Q1-4	Schools	Head of Finance / OD Safeguarding, Performance and Strategy	In-house	Follow up of all audit recommendations raised.
	REGENERATION & ENVIRONMENTAL SERVICES					
33	Service Review implementation	Q3	Highways/Waste Management/Environmental Services	OD Environmental Services	In-house	The outcomes perceived as a result of the service review process have been achieved.

34	Contract Management - Waste Contract	Q2	Environmental Services / Public Realm Contract	OD Environmental Services	PwC	Contract Management controls are working to manage risk.
35	Service Planning & Risk	Q1	Cross Departmental	OD Environmental Services / OD Regeneration	In-house	Assurance around prioritisation and capacity management
36	Income Collection inc Debt Recovery	Q1	Regeneration	OD Regeneration	In-house	The robustness of processes embedded within the service with regards identifying when income is due, raising bills and efficiently collecting the income.
37	Transport Shared Service	Q3	Transport	OD Environmental Services	PwC	Harrow Shared Service - Demand Management
38	Barham Trust Accounts	Q2	Regeneration	Head of Finance	In-house	Accounts sign off
	Total					
	CHIEF EXECUTIVE'S DEPARTMENT					
39	Mayors Funds	Q1	Executive and Member Services	Head of Executive and Member Services	In-house	Sign off of the Mayors Funds
40	Code of Governance	Q1	Executive and Member Services (CMT)	Head of Executive and Member Services	In-house	Compliance with Code.
41	Social Media	Q2	Information Governance and Security	Head of Communications	PwC	The use of social media is well governed and monitored. Opportunities are being exploited consistently.
	COMMUNITY & WELLBEING DEPARTMENT					
	Adult Social Care Audits					
42	Quality of Care	Q2	Adult Social Care	Strategic Director for Community and Well-being	In-house	Assurances monitored regarding providers in the Borough and for establishments outside of Borough from third parties.
43	Contract Management (Adults)	Q2	Adult Social Care	Strategic Director for Community and Well-being	PwC	linked to ref 2
44	Temporary Accommodation	Q4	Community Services	Strategic Director for Community and Well-being	In-house	Compliance with legislation, contractual management and value for money
45	Single Pathway	Q4	Community Services	Strategic Director for Community and Well-being	PwC	Partnership and information sharing protocols achievement of outcomes
46	Stock Control	Q1	Community Services	Director of Public Health	In-house	Stock assets are appropriately safeguarded.
47	Collection of Fees and Fines	Q1	Community Services	Director of Public Health	In-house	Complete and timely collection arrangements are in place for income.
48	Contract Management - Sexual Health Service	Q4	Public Health	Director of Public Health	PwC	Contract Management controls are working to manage risk.
	BRENT HOUSING PARTNERSHIP					

49	Assurance Mapping	Q1	BHP	Managing Director	PwC	To provide assurance that key risks are identified and assured across the organisation and ensuring that any gaps or overlaps are appropriately managed.
50	Introductory Tenancies / Tenancy Management (new tenants)	Q1	BHP	Head of Customer Services	In-house	To provide assurance regarding the effectiveness of controls over the management of introductory tenancies
51	Voids Contract Management	Q3	BHP	Head of Property Services	In-house	To provide assurance with regards to the effectiveness of contract management arrangements in respect of the new Voids Contract and review payments made under the contract
52	Health & Safety	Q2	BHP	Head of Compliance and Risk	PwC	To provide assurance with regards to BHP's arrangements for ensuring compliance with health and safety regulations and monitoring throughout the organisation.
53	Business Continuity	Q3	BHP	Head of Compliance and Risk	PwC	To provide assurance over the robustness and completeness of BHP's business continuity plans and arrangements.
54	Safeguarding	Q3	BHP	Head of Customer Services	In-house	To provide assurance about BHP's safeguarding arrangements for safeguarding children and vulnerable adults including a review of policies, training, staff and member awareness
55	Change Management	Q2	BHP	Transformation Director	PwC	To provide assurance regarding the effectiveness of controls used by BHP to manage organisation change

56	Information Governance (non IT)	Q1	BHP	Head of Compliance and Risk	PwC	To provide assurance about the BHP's arrangements for handling data; managing data and governance of data and the extent of BHP's compliance with external regulation and legislation.
57	IT Information Governance	Q1	BHP	Head of Compliance and Risk	PwC	To provide assurance about the BHP's arrangements for handling data; managing data and governance of data and the extent of BHP's compliance with external regulation and legislation. (link to 22)
58	IT Application Audit (Kypera) – Leasehold Management application	Q2	BHP	Head of Compliance and Risk	PwC	This audit will cover the application controls for the Kypera application. The areas covered in this audit include access controls, data entry, data processing, data output, interfaces, support and maintenance; and backup and recovery.
59	Leave and Sickness Absence Management	Q1	BHP	HR Manager	In-house	To provided assurance about the effectiveness of controls over the management of leave and sickness absence and assess the adequacy of the quality of data available for that purpose
60	Accounts Payable; Accounts Receivable; General Ledger; Payroll and Housing Rents	Q2-4	Finance	Finance Manager	PwC	<i>See Council CAM Audits ref 9 and 10</i>
61	Follow Up Audits	Q1-4	All Services	All	In-house	Follow up work on all recommendations raised and agreed as part of the 2014/15 BHP Internal Audit Plan,

	62	Consultation, Communication, Reporting	Q1-4			In-house	To cover attendance by Internal Audit management at Audit & Finance Sub-Committee meetings and the production of progress reports for these. In addition, to cover managements' non-audit specific liaison and communication with officers during the course of the year, for example on-going liaison regarding any necessary revisions to the Plan and communication of key issues arising from completed internal audit work.
		Total					
		ADVICE, GUIDANCE & CONTINGENCY					
	63	Advice & Guidance	Q1-4			In-house	
	64	Follow Up Audits	Q1-4			In-house	
	65	Other Chargeable Activity (Committee reporting, DMT and CMT attendance, planning etc.	Q1-4			In-house	
	66	Contingency	Q1-4			In-house	
		Total					

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INTERNAL AUDIT CHARTER

Head of Audit and Investigations

March 2017

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Contents

1. Introduction
2. Purpose
3. Authority
4. Responsibility
5. Fraud
6. Reporting
7. Follow Up
8. Audit Committee
9. Independence
10. Due Professional Care
11. Service Delivery

Appendix A – IIA Code of Ethics

Appendix B – Nolan Principles of Standards in Public Life

1. INTRODUCTION

The Relevant Internal Audit Standard Setters (The Chartered Institute of Public Finance and Accountancy (CIPFA) for Local Government Bodies) have adopted a common set of mandatory UK Public Sector Internal Audit Standards (PSIAS) from 1 April 2013 (a revision is due to take effect in 2017).

The PSIAS apply to all public sector internal audit service providers, where in-house, shared services or outsourced.

This Charter sets out the purpose, authority and responsibility of the Council's Internal Audit function in accordance with the PSIAS.

The Charter will be reviewed and presented to Audit Committee for final approval every two years, or more frequently in response to changes in the standards.

2. PURPOSE

Internal Audit is defined by the Institute of Internal Auditors' International Professional Practices Framework as "an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."

CIPFA state that a professional, independent and objective internal audit service is one of the key elements of good governance in local government.

An effective internal audit service will:

- understand the whole organisation, its needs and objectives;
- understand its position with respect to the organisation's other sources of assurance and plan its work accordingly;
- be seen as a catalyst for improvement at the heart of the organization;
- add value and assist the organisation in achieving its objectives; and
- be forward looking – knowing where the organisation wishes to be and aware of the national agenda and its impact.

The foundation of an effective internal audit service is compliance with standards and proper practices.

In a local authority, internal audit provides independent and objective assurance to the organisation, its Members, the Corporate Management Team and in particular to the Chief Financial Officer (CFO) to help them discharge their duties under section 151 (S151) of the Local Government Act 1972, relating to the proper administration of the Council's financial affairs.

In addition, the Accounts and Audit Regulations (2011) specifically require the provision of an internal audit service. In line with regulations, Internal Audit provides independent assurance on the adequacy of the Council's governance, risk

management and internal control systems. Section 151 of the Local Government Act 1972 states that every local authority in England and Wales should '*make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs*'. CIPFA has defined '*proper administration*' in that it should include '*compliance with the statutory requirements for accounting and internal audit*'.

The CIPFA Statement on the *Role of the Chief Financial Officer in Local Government* states that the CFO must:

- ensure an effective internal audit function is resourced and maintained;
- ensure that the authority has put in place effective arrangements for internal audit of the control environment;
- support the authority's internal audit arrangements; and
- ensure that the audit committee receives the necessary advice and information, so that both functions can operate effectively.

The relationship between the Head of Internal Audit and the Chief Finance Officer is therefore of particular importance in local government.

3. AUTHORITY

The Internal Audit function has unrestricted access to all Council records and information, both manual and computerised, cash, stores and other Council property or assets it considers necessary to fulfil its responsibilities. Audit may enter Council property and has unrestricted access to all locations and officers where necessary on demand and without prior notice. Any officer obstructing the internal audit function may be subject to disciplinary action. Right of access to other bodies funded by the Council should be set out in the conditions of funding, and officers agreeing such conditions must ensure that such rights allow similarly unrestricted access.

The Internal Audit function will consider requests from the External Auditors for access to any information held by the service, files or working papers obtained or prepared during audit work that has been finalised, which External Audit would need to discharge their responsibilities.

4. RESPONSIBILITY

The Council's Head of Audit & Investigations is required to provide an annual opinion to the Council and to the Chief Financial Officer, through the Audit Committee, on the overall adequacy and the effectiveness of the organisation's framework of governance, risk management and control. In order to achieve this, the Internal Audit function has the following objectives:

- To provide a quality, independent and objective audit service that effectively meets the Council's needs, adds value, improves operations and helps protect public resources;
- To provide assurance to management that the Council's operations are being conducted in accordance with external regulations, legislation, internal policies and procedures;
- To provide a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes;

- To provide assurance that significant risks to the Council's objectives are being managed. This is achieved by annually assessing the adequacy and effectiveness of the risk management process;
- To provide advice and support to management to enable an effective control environment to be maintained;
- To promote an anti-fraud, anti-bribery and anti-corruption culture within the Council to aid the prevention and detection of fraud; and
- To investigate allegations of fraud, bribery and corruption, including whistle-blowing allegations.

Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas identified by the organisation as being of greatest risk and significance and rely on management to provide full access to accounting records and transactions for the purposes of audit work and to ensure the authenticity of these documents.

Where appropriate, Internal Audit will undertake audit or consulting work for the benefit of the Council in relation to third party operations (such as contractors and partners) where this has been provided for as part of the contract.

The Head of Audit & Investigations is responsible for ensuring that sufficient, appropriate resource is available to achieve the objectives set out above.

5. FRAUD

The primary responsibility for the prevention and detection of fraud lies with management, who are also responsible for the management of fraud risks. In support of this, internal auditors will be alert to the possibility of intentional wrongdoing, errors and omissions, poor value for money, failure to comply with management policy and conflicts of interest when performing their individual audits. They will also have sufficient knowledge to identify indicators that fraud or corruption may have been committed.

The Head of Audit & Investigations should be notified of all suspected or detected fraud, corruption or impropriety, to inform their annual internal audit opinion and the risk-based plan.

The Head of Audit & Investigations will deploy resources to investigate fraud or undertake ad hoc reviews as required in line with their professional judgement.

6. REPORTING

UK PSIAS require the Head of Audit & Investigations to report to senior management and Members and this is achieved in the following ways:

- The Internal Audit Strategy and Charter and any amendments to them are reported to Audit Committee;
- The annual Internal Audit Plan is compiled by the Head of Audit & Investigations taking account of the Council's Risk Management framework and after input from senior officers. It is then presented to Audit Committee for approval;

- The Internal Audit Budget is reported annually as part of the overall Council budget;
- The adequacy, or otherwise, of the level of internal audit resources (as determined by the Head of Audit & Investigations) and the independence of internal audit will be reported annually to Audit Committee. The approach to providing resource is set out in the Internal Audit Strategy;
- Performance against the Internal Audit Plan and any significant risk exposures and control issues arising from audit work are reported to Audit Committee on a quarterly basis; and
- Results from Internal Audit's Quality Assurance Programme will be reported to both Audit Board and Audit Committee.

Any instances of non-conformance with the PSIAS will be reported to Audit Committee and will be included in the Head of Internal Audit's Annual Opinion.

Internal audit reports the findings of its work in detail to local management at the conclusion of each piece of audit work and at the follow up stage. Summary reports are also provided to the Audit Committee on a quarterly basis and high level reports provided on a quarterly basis. This includes the Head of Internal Audit's annual report which contributes to the assurances underpinning the Annual Governance Statement of the Council.

7. FOLLOW UP

Internal Audit will evaluate the Council's progress in implementing audit recommendations against agreed targets for implementation. Progress will be reported to management and to the Audit Committee on a quarterly basis. Where progress is unsatisfactory or management fail to provide a satisfactory response to follow up requests, Internal Audit will implement the escalation procedure as agreed with management.

8. AUDIT COMMITTEE

PSIAS require that the term 'board' be defined as "The highest level of governing body charged with responsibility to direct and oversee the activities and management of the organisation". The term 'Board' refers to the Audit Committee to which Full Council has delegated its authority. The term 'Senior Management' refers to the Corporate Management Team.

There are agreed protocols with the audit clients regarding the planning, conduct and reporting of their audit work. Internal Audit reports incorporate recommendations that are ranked together with associated risks and a level of assurance to the Council. Specific work to confirm that agreed recommendations, particular those of an assessed high risk, continues to form part of the Audit Plan which further helps to both provide necessary assurances and assess the effectiveness of audit work. In accordance with these agreed protocols, progress and outturn reports are submitted to your Audit Committee, showing actual performance against the Audit Plan and any

significant issues arising from audit findings. The actual performance for 2016/17 will be included within the internal audit outturn report to Audit Committee in June 2017.

9. INDEPENDENCE

The Head of Audit & Investigations has free and unfettered access to the following:

- Chief Financial Officer (S151);
- Chief Executive;
- Chair of Audit Committee;
- Monitoring Officer; and
- Any other member of the Senior Management Team.

There are periodic Governance Meetings diarised between the Chief Executive, Head of Audit and Investigations, Chief Financial Officer and Monitoring Officer to ensure governance remains high on the agenda in Brent.

The independence of the Head of Audit & Investigations is further safeguarded by ensuring that their annual appraisal is not inappropriately influenced by those subject to audit. This is achieved by ensuring that the Chair of Audit Committee reviews the appraisal of the Head of Audit & Investigations.

All Council and contract staff within the Audit & Investigation Service are required to make an annual 'declaration of interest' to ensure that auditors' objectivity is not impaired and that any potential conflicts of interest are appropriately managed.

In addition any internal audit staff will:

- not accept any gifts, hospitality, inducements or other benefits from employees, clients, suppliers or other third parties (other than as may be allowed by the organisation's own policies);
- not use information obtained during the course of duties for personal gain;
- disclose all material facts known to them which, if not disclosed, could distort their reports or conceal unlawful practice, subject to any confidentiality agreements; and
- ensure compliance with the Bribery Act 2010.

Internal Audit may also provide consultancy services, such as providing advice on implementing new systems and controls. However, any significant consulting activity not already included in the Audit Plan and which might affect the level of assurance work undertaken will be reported to Audit Committee. To maintain independence, any audit staff involved in significant consulting activity will not be involved in the audit of that area for at least 12 months.

10. DUE PROFESSIONAL CARE

The Internal Audit function is bound by the following standards:

- Institute of Internal Auditor's International Code of Ethics (Appendix A).
- Seven Principles of Public Life - Nolan Principles (Appendix B).
- UK Public Sector Internal Audit Standards (PSIAS).
- All Council Policies and Procedures
- All relevant legislation.

Internal Audit is subject to a Quality Assurance (QA) Programme that covers all aspects of internal audit activity. This consists of

- A QA Questionnaire sent out at the completion of each audit and follow up of issues arising where required;
- Annual self-assessment of the service and its compliance with the UK PSIAS; and
- On-going internal performance monitoring and an external assessment at least once every five years by a suitably qualified, independent assessor.

A programme of Continuous Professional Development (CPD) is maintained for all staff working on audit engagements to ensure that auditors maintain and enhance their knowledge, skills and audit competencies. The Head of Internal Audit & Investigation is required to hold a professional qualification (CCAB or CMIIA) and be suitably experienced.

11. SERVICE DELIVERY

Following the decision to withdraw from the Shared Service relationship with Ealing in 2017/18 the Audit and Investigations Service will be delivered by the Council's in house team and Internal Audit partner (currently PricewaterhouseCoopers) under the direction of the Council's Head of Audit & Investigations, who will be appointed early in the financial year.

Internal Audit will work in partnership with the Council's management and staff; strategic partners; and other internal and external assurance providers, to ensure that benefits are maximised and best practice is shared.

Audit planning will be undertaken on an annual basis and audit coverage will be based on the following:

- Discussions with the Council's Corporate Management Team, Operational Directors, Heads of Service and other relevant officers;
- The Council's risk registers;
- The Council's assurance map;
- Outputs from other assurance providers;
- Benchmarking with other local authorities; and
- Requirements as agreed in the joint working protocol with External Audit.

The Head of Internal Audit & Investigations, will review risk registers for all Departmental Management Team and where necessary attend face to face meetings as part of the annual planning process to ensure that management views and suggestions are taken into account when producing the audit plan. The audit plan will be provided to management for comment prior to presentation to Audit Committee for approval.

Internal Audit will evaluate the Council's progress in implementing audit recommendations against set targets for implementation. Progress will be reported to Audit Committee on a quarterly basis.

Where progress is unsatisfactory or management fail to provide a satisfactory response to follow up requests, Internal Audit will implement the escalation procedure as agreed with management.

Internal audit reports the findings of its work in detail to local management at the conclusion of each piece of audit work and in summary to Audit Committee. This includes the Head of Internal Audit's Annual Opinion which contributes to the assurances underpinning the Annual Governance Statement of the Council.

Appendix A – Institute of Internal Auditors – Code of Ethics

CODE OF ETHICS

The Code of Ethics states the principles and expectations governing the behaviour of individuals and organisations in the conduct of internal auditing. It describes the minimum requirements for conduct, and behavioural expectations rather than specific activities.

INTRODUCTION TO THE CODE OF ETHICS

The purpose of The Institute's Code of Ethics is to promote an ethical culture in the profession of internal auditing.

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

A code of ethics is necessary and appropriate for the profession of internal auditing, founded as it is on the trust placed in its objective assurance about governance, risk management, and control.

A code of ethics is necessary and appropriate for the profession of internal auditing, founded as it is on the trust placed in its objective assurance about governance, risk management, and control.

The Institute's Code of Ethics extends beyond the Definition of Internal Auditing to include two essential components:

- Principles that are relevant to the profession and practice of internal auditing.
- Rules of Conduct that describe behaviour norms expected of internal auditors. These rules are an aid to interpreting the Principles into practical applications and are intended to guide the ethical conduct of internal auditors.

APPLICABILITY AND ENFORCEMENT OF THE CODE OF ETHICS

This Code of Ethics applies to both entities and individuals that perform internal audit services.

Breaches of the Code will be evaluated and administered according to The Council's disciplinary procedures. The fact that a particular conduct is not mentioned in the Rules of Conduct does not prevent it from being unacceptable or discreditable and therefore, the member can be liable for disciplinary action.

CODE OF ETHICS – PRINCIPLES

Internal auditors are expected to apply and uphold the following principles:

1. Integrity

The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgment.

2. Objectivity

Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments.

3. Confidentiality

Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

4. Competency

Internal auditors apply the knowledge, skills, and experience needed in the performance of internal audit services.

RULES OF CONDUCT

1. Integrity

Internal auditors:

- 1.1. Shall perform their work with honesty, diligence, and responsibility.
- 1.2. Shall observe the law and make disclosures expected by the law and the profession.
- 1.3. Shall not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organisation.
- 1.4. Shall respect and contribute to the legitimate and ethical objectives of the organisation.

2. Objectivity

Internal auditors:

- 2.1. Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organisation.
- 2.2. Shall not accept anything that may impair or be presumed to impair their professional judgment.
- 2.3. Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

3. Confidentiality

Internal auditors:

3.1. Shall be prudent in the use and protection of information acquired in the course of their duties.

3.2. Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation.

4. Competency

Internal auditors:

4.1. Shall engage only in those services for which they have the necessary knowledge, skills, and experience.

4.2. Shall perform internal audit services in accordance with the *International Standards for the Professional Practice of Internal Auditing (Standards)*.

4.3. Shall continually improve their proficiency and the effectiveness and quality of their services.

Appendix B – The 7 Nolan Principles of Public Life

'Seven Principles of Public Life' apply to all in the public service. These are:

Selflessness: Holders of public office should take decisions solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.

Integrity: Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties.


Objectivity: In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

Accountability: Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

Openness: Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

Honesty: Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

Leadership: Holders of public office should promote and support these principles by leadership and example.

 Brent	Audit Committee 20 March 2017 Report from the Chief Finance Officer
For Information	Wards Affected: ALL
Internal Audit & Counter Fraud Progress Report	

1. Summary

- 1.1. This report provides an update on the progress against the internal audit plan for the period 1 December 2016 to 28 February 2017 and updates on the counter fraud work completed in quarter 3 of 2016/17. The appendix to the report also summarises those reports from the 2016/17 plan which have been finalised since the last meeting of the Audit Committee.

2. Recommendations

- 2.1 That the Audit Committee notes the progress made in delivering the 2016/17 Internal Audit Plan and the counter fraud work outcomes.

3. Detail

3.1 Internal Audit Plan & Service Development

- 3.2 During February the Interim Head of Audit and Investigations and the PricewaterhouseCoppers (PwC) Engagement Manager have attended departmental Management Teams to discuss the Audit Plan and the needs of Management with regards the audit service. These meetings along with a focused session regarding assurances over schools financial and governance arrangements have helped to shape the strategies and work plans for the team for 2017/18 and as a result will also inform thinking around the structure of the team when officers are TUPE transferred back to the Council, the process to do which has commenced.
- 3.3 Senior Management have shown a strong commitment to engaging with the service and communicated their requirements for an added value service for the Council. The recruitment process for the Head of Audit and Investigations is underway, it is expected that the new post holder will be in place by June 2017.

3.4 The Internal Audit Plan for 2016/17 is delivered by a small in house team, currently led by an interim Head of Audit & Investigations, and the Strategic Partner, PwC.

3.5 The key points to note with regards to progress for the current year are:

- There are sixty three internal audit projects included within the 2016/17 plan (excluding follow up and advisory work). Work has commenced on fifty four of these.
- The Committee should note that there were originally 56 projects in the plan approved by the Committee in March 2017. At the January meeting reported to the Committee that twelve projects had been added and an eleven removed from the plan increasing the total number to 57 projects. Since then an additional nine projects have been added and two removed, bring the number of projects to be delivered to 63. Details of these are set out in the tables 2 and 3 below.
- Thirty five internal audit projects have been completed to draft or final stage. Twenty three of them have an audit opinion associated with them. Twelve have a reasonable assurance opinion and eleven have limited opinions. Finite audit resources are directed to areas where there are concerns from management which does mean that the percentage of limited assurance deliverables has increased. Other factors causing the proportion of limited reports to increase could be the result of an increased tolerance to risk within services; loss of controls as a result of loss of capacity or weaknesses in the understanding of risk and control within management. The 2017/18 Internal Audit Strategy has considered the needs of the council and the implementation of a new approach to risk management will also help to strengthen arrangements. Of the remaining twelve projects, five relate to grant and account certifications and the remaining seven to consultancy work which do not have an assurance rating attached. Please see summary in Table 1 below

Table 1 – Summary of Audits Completed Since last audit report

Total Number of Audits Completed	Reasonable 	Limited 	None 	Non Assurance	
Finals	5	6	-	9	20
Draft	7	5	-	3	15
Total	12	11	-	12	35

Table 2 – Projects Added to Original plan

Audit	Reason
Zip Cars	As a result of an investigation
CAM Phase 2	Additional Testing
Additional Troubled Families Grant Claim (3)	Additional Claims certified with March 2017 claim outstanding
Public Funerals and Property Protection	At the request of Management
Conflict of Interest & Gifts & Hospitality (Employees)	Separate Report drafted for employees as managed by a different team
Essential User Permits (Contractors)	At the Request of Management
Tree Management – Follow Up	At the Request of BHP Management

Table 3 - Projects Removed from Original plan

Audit	Reason
SEN (Schools Thematic Work)	Have had to respond to issues in a number of schools and undertaken other reactive work which has put pressure on resources. This audit area will be included in the 2017/18 audit plan.
IT Disaster Recovery	High Risk Area now planned for 2017/18
Data Protection (BHP)	To be carried out in 2017/18 as part of a wider IT Governance audit for the Council and BHP

Table 4 – Delivery Status as at 28 February 2017

Delivery Status	
Total number of reports to be delivered in current plan	63
Number of draft/final reports/certifications issued to date	35
% of reports issued to date	56%

3.6 Members will note that progress to date on the 2016/17 internal audit plan is currently below the profiled target at the end of February. Allocation of audits has been reviewed and redistributed with PwC taking on an audit allocated to the in house team and some resources to undertake pro-active fraud work rather than risk based systems audits has enabled the investigations team to support delivery of the audit plan and some additional audits have been allocated to PwC. All the remaining audits are currently allocated and there are sufficient resource days available to complete the fieldwork. It is envisaged that some reports will not be finalised until April. It is planned that all reports will be finalised by the end of April.

4.1. Follow Up of 2015/16 Audit Recommendations

4.2. 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.

4.3. A database of all previous internal audit recommendations has been established on the Council's InfoStore system. Managers have access to this, and self-certify progress against recommendations, which are then subject to periodic sample checks by internal audit. Most organisations have a broadly similar system for tracking progress against previous audit recommendations.

4.4. Of the 105 Priority 1 and 2 recommendations arising from 2015/16 audits and due to be implemented by 28 February 2017, 99 had either been fully or partly implemented 13 had yet to be implemented and 3 were no longer applicable due to changes within the relevant service. Table 5 sets out the summary.

Table 5 – Status of 2015/16 Priority 1 and 2 Recommendations

Priority	Total	Imp	Part	Not Implemented	N/A	Status Un
Priority 1	14	11	0	0	3	0
Priority 2	101	82	6	13	0	0
Total	115	93	6	13	3	0

Imp = Implemented

Part = Partly Implemented

Not = Not Implemented

N/A = Not due for implementation

Un = Status Unknown

5. Internal Fraud

- 5.1. 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 second quarter of the year to date is shown in table 6 below:

Table 6– Internal Fraud 2016/17 (Q3)

Internal	16/17 Q3	15/16 Q3	16/17 Q2	15/16 Q2	16/17 Q1	15/16 Q1	15/16 Full Year
Open Cases b/fwd	15	23	22	33	22	11	21
New Referrals	8	5	4	5	10	10	42
Closed Cases	5	7	11	15	10	10	31
Fraud / Irregularity identified (summarised below)	1	0	4	5	2	7	9
Dismissal	0	0	1	2	0	0	3
Resignation/ Officer Left	0	0	0	2	1	2	5
Warning	0	0	1	1	0	5	1
Other positive outcome (e.g. system Improvement, Overpayment recovered)	1	N/A	2	N/A	1	N/A	
Open cases carried fwd	18	21	15	23	22	33	22

- 5.2. We previously reported that more internal fraud cases were brought forward from quarter 4 of 2015/16 compared to the quarter 4 of 2014/15 and that the reason for this was a result of joint working with the DWP’s Single Fraud Investigation Service (SFIS) on internal related NFI cases (i.e. staff benefit fraud

matches). The liaison with SFIS has increased and more progress is being made on joint working. It is important to note that the Council's Investigation Team is now required to wait for SFIS to determine action on each case following their own investigations prior to these being passed to Brent's Audit & Investigations Unit.

- 5.3.** The internal case where irregularity was found, relates to a failure to declare correct benefit circumstances. The investigation found wrongdoing but also failure in procedures and it was agreed for management to resolve via an informal warning.
- 5.4.** There is currently a definitive plan in place, led by the new Interim Head of Audit & Investigations to re-invigorate various aspects of anti-fraud work. This will include proactive work on Housing fraud, Procurement fraud, a new anti-fraud awareness programme and targeted internal fraud pro-active exercises including Zipcar usage and sickness absence
- 5.5.** Allegations of financial irregularities within schools remain a concern, with current cases being investigated at three schools.
- 5.6.** It should also be noted that significant staff time was spent in quarters one and two on investigating allegations of housing corruption, some three months of full time work for six officers was spent in analysing particular allocations decisions and vast swathes of data on associated housing allocation matters. The matters were inconclusive but the risk remains high and further proactive work is being undertaken.

6. Housing Tenancy Fraud

- 6.1.** Recovery of social housing properties has a significant impact upon the temporary accommodation budget. The Audit Commission have estimated that the average value, nationally, of each recovered tenancy is £18,000*. The £18,000 figure is notional and some neighbouring Councils (e.g. Harrow) use a much greater figure based on an estimate of actual temporary housing costs over a three year period. Another National report in 2014 recommended using £75,000 per property recovered. This was based on an average three year fraudulent tenancy and included temporary accommodation for genuine applicants, legal costs to recover property, re-let cost and rent foregone during the void period between tenancies. The Audit & Investigations Unit will do more work to benchmark and recommend the most figure to use in the next report. Caseload information is set out in table 7 below.

Table 7 – Housing Fraud 2016/17

Housing	16/17 Q3	15/16 Q3	16/17 Q2	15/16 Q2	16/17 Q1	15/16 Full Year
Open cases b/fwd	139	188	160	182	121	174
New Referrals	54	13	90	118	140	250
Closed Cases	78	27	111	112	101	314
Fraud Found	9	23	13	17	13	73
Recovered Properties	8	21	11	13	10	63
Applications Refused	0	0	NIL	1	0	2
Property Size Reduced (Rehousing)	0	2	2	2	1	5
Home Loss Payment recovered	NIL	NIL	NIL	NIL	0	0
Right to Buy	1	0	NIL	1	2	3
Value of properties recovered* (000s)	£144	£378	£198	£234	£180	£1,134
Value of Right to Buy Discount Prevented** (000s)	£104	NIL	NIL	£104	£207	£90
Value of Property Size Reduced (000s)	NIL	£36	£36	£36	£18	£282
Open cases carried c/f	115	174	139	188	160	121
Cases with Legal for Possession / Prosecution	26	18	34	22	33	18

Notional value of recovered properties is £18,000

** Actual amount of discount stopped

- 6.2.** Housing Fraud figures are below where we would expect but anticipate meeting the annual target of 51. Currently 35 cases have been identified as fraud compared with 61 at the same point last year. These cases include all fraud relating to social housing e.g. Right to Buy and property size reductions. Other challenges have occurred which have impacted on the normal referral stream, these being an unprecedented level of change, rationalisation and business re-engineering at some of the larger housing associations. Key contacts at these organisations have either left, taken redundancy or been moved to other areas of operations. Some housing associations have reduced their referral stream to almost zero and are in the process of considering how to deal with housing fraud going forward. Challenges have also been encountered at BHP, where supervisory staff changes, restructures and changes have also affected the referral stream.
- 6.3.** Since Quarter 4 of the 2015/16 financial year there has been a greater emphasis placed on the prosecution of housing fraud and Proceeds of Crime Act (POCA) / Profit Orders rather than just recovery of the tenancy. To date, 2 cases were successfully prosecuted under the Prevention of Social Housing Fraud Act (PoSHFA) in Q3, compared with NIL at this same point last year. The Profit Orders granted in these cases totaled £25,239.
- 6.4.** With regards to Right to Buy (RTB) fraud, there has been a greater emphasis on tackling RTB fraud since 2015/16. The team is currently liaising closely with the Right to Buy team to develop a more proactive anti-fraud approach. The new arrangements have been approved and are now being implemented since January 2017. Right to Buy fraud is deemed to be a significant risk to Council's housing stock.

7. Other External Fraud

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

Table 8 – Other External Fraud 2016/17

External Fraud	16/17 Q3	15/16 Q3	16/17 Q2	15/16 Q2	16/17 Q1	15/16 Full Year
Open cases b/fwd	72	63	106	12	57	56
New Referrals	30	15	30	66	83	99
Closed Cases	89	24	64	15	34	62
Fraud / Irregularity	10	1	3	5	4	10
Prosecution	0	0	1	NIL	0	0
Warning / Caution	4	1	1	2	1	3
Overpayment / Savings identified	5	0	NIL	3	1	7
Open cases carried c/f	13	24	72	63	106	5

- 7.2.** The main reasons for the increases in open cases brought forward in Q2 of 2016/17 compared to the same quarter in 2015/16 is as a result of proactive work undertaken in the areas of Council Tax Reduction Scheme and No Recourse to Public Funds.
- 7.3.** In Q4 of the 2015/16 financial year some work was carried out to explore a more workable approach to tackling Council Tax Reduction Scheme (CTRS) fraud. 82 cases have since been reviewed in detail. Due to complexities with DWP's remit to investigate Housing Benefit /Council Tax Benefit fraud and systems enhancements which are needed in CTRS administration, only a handful of suitable cases are being progressed to interview/sanction. This area of work has been put on hold until recommendations with the CTRS administration has been implemented to comply with legislation.
- 7.4.** With regards to No Recourse to Public Funds (NRPF), the Team have developed a referral stream with the NRPF Team. However, new verification procedures within the NRPF has meant that more onus is being placed on clients to provide supporting documentation and as such, it is not expected that

there will in future be any a significant increases in referrals of this type. One NRPF case was successfully investigated in Q3 with assistance being refused and a saving of £5,074.32 achieved.

7.5. The team also identified system control weaknesses around information security relating to CTRS data and recommendations have been made to address these.

7.6. A Blue Badge pro-active operation was undertaken in October 2016 as part of a joint working agreement with Parking Enforcement and the Police. Four badges were seized on the day and warnings were issued against the offenders.

8. Financial Implications

8.1. There are no specific financial implications associated with noting this report. However the effectiveness of financial controls and fraud investigation can clearly have financial implications.

9. Legal Implications

9.1. None

10. Diversity Implications

10.1. None.

11. Background Papers

11.1. 2016/17 Internal Audit Plan

12. Contact Officer Details

Vanessa Bateman – Interim Head of Audit & Investigations, Civic Centre, 7th Floor.
Telephone – 07881 284151

CONRAD HALL
Chief Finance Officer



Internal Audit
3rd Internal Audit & Counter Fraud
Progress Report – 2016/17
London Borough of Brent
March 2017

Contents

Page No

Executive Summary	1
Detailed summary of work undertaken	2
Follow-Up of Previously Raised Recommendations	7
Appendix A – Definitions	9
Appendix B – Audit Team and Contact Details	12

Executive Summary

Introduction

This report sets out a summary of the work completed against the 2016/17 Internal Audit Plan, including the assurance opinions awarded and any high priority recommendations raised. .

Summary of Work Undertaken





Final Reports issued since the last meeting of the Committee in January 2017 are as follows:

- Procurement - Contracts Management & Monitoring
- Public Health – Service Development
- Expanded Troubled Families Programme (January 2017 Grant Certification)
- Kilburn Square Coop (BHP)
- Gas Servicing (BHP)
- Conflict of Interest (Members) (BHP)

Detailed summary of work undertaken

FULL / SUBSTANTIAL ASSURANCE REPORTS: 2016/17

Only those audits for which Substantial Assurance was given are indicated here.

Audit	Assurance Opinion and Direction of Travel
BHP	
Procurement – Contract Management	 Reasonable
Public Health – Service Development	 Reasonable
Conflict of Interests & Gifts and Hospitality (Members)	 Reasonable
Gas Servicing	 Reasonable

LIMITED ASSURANCE REPORTS – General Audits

There are no limited assurance reports for the Council which have been finalised since the last Audit Committee.

Limited Assurance Reports (BHP)

Although these are limited assurance reports, details are not included in this report because they are reported separately to the BHP Audit Committee.

Kilburn Square Coop (BHP)

Two high priority; six medium priority and one advisory recommendations were raised as a result of this audit.

L

Management of BHP Owned Properties (BHP)

Three high priority; one medium priority and four low priority recommendations were raised as a result of this audit.

L

2016/17 Audits

Advisory & Non Assurance Work

Expanded Troubled Families Programme – Certification of January 2017 Payment by Results Claim

In April 2012, the Government launched the Troubled Families Programme: a £448 million scheme to incentivise local authorities and their partners to turn around the lives of 120,000 troubled families by May 2015. The first programme worked with families where children were not attending school, young people were committing crime, families were involved in anti-social behaviour and adults were out of work.

In June 2013, the Government announced plans to expand the Troubled Families Programme for a further five years from 2015/16 and to reach up to an additional 400,000 families across England. £200 million has been committed to fund the first year of this proposed five year programme.

Certification of January 2017 Payment By Results Grant Claim

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.

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. We verified a sample as required and confirmed the eligibility of the families to be included in the programme and that the results being claimed had been achieved.

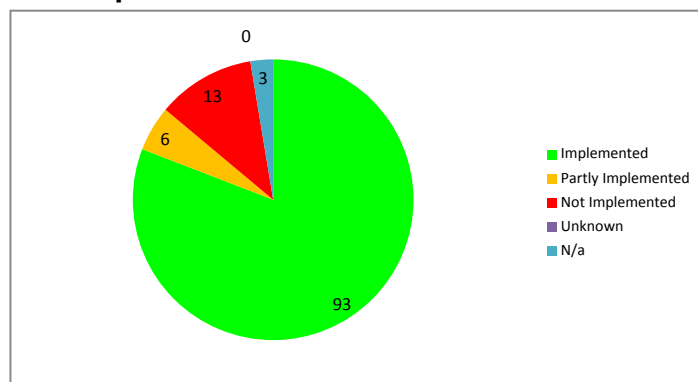
A claim for a total of 66 families was approved as a result of audit work in this area.

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 115 (14 priority 1 and 101 priority 2 recommendations, 99 (86%) had been either fully or partly implemented. 3 priority 1 recommendations are no longer applicable due to changes in the relevant service. 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 2017.

The number of recommendations due to be implemented by the end of February 2017 as recorded on Infostore is as outlined in the table below:

Number of Priority One Recommendations due	14
Number of Priority Two Recommendations due	101

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





Details	P1	P2	Total
Total Recommendations Due for Implementation as at 28/02/17	14	101	115
Implemented	11	82	93
Partially Implemented	0	6	6
Not Implemented	0	13	13
Not Applicable	3	0	3

Status Not Updated on Infostore	0	0	0
Total	14	101	115

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:

Report Classification	Level of Assurance	Points Overall
	Substantial	5 points or less
	Reasonable	6 – 19 points
	Limited	20 – 39 points or minimum 2 high risk findings
	None	40 points and over

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.

Report classifications

Findings Ratings	Points
Critical	40 points per finding
High	10 points per finding
Medium	3 points per finding
Low	1 point per finding
Advisory	0 points per finding

The report classification is determined by allocating points to each of the findings included in the report.




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:





Critical	A finding that could have a: Critical impact on operational performance; or Critical monetary or financial statement impact; or Critical breach in laws and regulations that could result in material fines or consequences; or Critical impact on the reputation or brand of the organisation which could threaten its future viability
High	A finding that could have a: Significant impact on operational performance; or Significant monetary or financial statement impact; or Significant breach in laws and regulations resulting in significant fines and consequences; or Significant impact on the reputation or brand of the organisation.
Medium	A finding that could have a: Moderate impact on operational; or Moderate monetary or financial statement impact; or Moderate breach in laws and regulations resulting in fines and consequences; or Moderate impact on the reputation or brand of the organisation.
Low	A finding that could have a: Minor impact on the organisation's operational performance; or Minor monetary or financial statement impact; or Minor breach in laws and regulations with limited consequences; or Minor impact on the reputation of the organisation
Advisory	A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.





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.

Appendix B – Audit Team and Contact Details

London Borough of Brent	Contact Details
Vanessa Bateman – Interim Head of Audit & Investigations	 Venessa.bateman@brent.gov.uk
Aina Uduehi – Audit Manager	 aina.uduehi@brent.gov.uk
Dave Verma – Counter Fraud Manager	 020 8937 1495  dave.verma@brent.gov.uk 020 8937 1262

PWC	Contact Details
Stuart Hall – Engagement Director	 stuart.hall@uk.pwc.com
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Olesya Chikana – Engagement Junior Manager	 olesya.chikina@uk.pwc.com
	 07525 284290

 <p>Brent</p>	<p>Audit Committee 20 March 2017</p> <p>Report from the Chief Finance Officer</p>
<p>For Information</p>	<p>Wards Affected: ALL</p>
<p>Risk Management Review</p>	

1. Summary

- 1.1 This report updates progress in re-defining the Council's approach to Risk Management and planned next steps.

2. Recommendations

- 2.1 Audit Committee note the progress made and comment on the plans being developed.

3. Detail

- 3.1 At the last meeting, the Committee were advised that the audit of Risk Management planned for 2017/18 had been superseded by a review by the Interim Head of Audit and Investigations which sought to:
 - provide assurance to CMT;
 - inform the update of the Council's Risk Management Strategy; and also
 - form the basis for assurances contained within the 2016/17 Head of Internal Audit Opinion.
- 3.2 The review has assessed through review of risk registers, meetings with Management and the wider role in terms of audit and assurance within the Council, the:
 - Interaction between service/directorate risks and the Strategic risk register;
 - How embedded risk management is into services/directorates;
 - Efficiency and Effectiveness of the Framework – capturing and communicating risk; and
 - Maturity of Risk Management Framework – level to which it can be demonstrated that risk is considered within decision making.
- 3.2 The outcome of the review has been to:
 - confirm the views of CMT that there is good risk management happening within Brent but the processes to effectively capture, share and maximise the opportunities from the activity require strengthening;

- indicate that there are interrelated risks being managed in different parts of the council without effective links;
- there is opportunity in linking the performance data of the organisation with risk, in terms of indicators that the risk is materialising or in determining that assurances are positive around the control environment;
- Some risks currently included on the Strategic Risk Register should sit at Directorate level until management information escalates them for CMTs attention.

3.3 The decision to recruit a full time Head of Audit will enable an implementation plan to be fulfilled during 2017/18. The resources required for facilitating the new approved processes will be considered as part of a wider review of Audit and Investigation resources that is likely to take place in 2017/18. In addition the role of the Strategic Risk Management Group will be considered in light of the new Strategy and processes that will be developed to ensure it adds value and supports CMT in their role.

3.4 The following seven risks have been proposed and data to help the analyses of raw and net risk is being gathered as well as insight to the control environment including identifying control owners and assurances over the effectiveness of the controls. Similar work has also commenced to challenge the highest Directorate level risks and assess those most likely to be included in the Strategic Risk Register.

1. There are insufficient or inappropriate employment opportunities for residents of the Borough, due to lack of jobs or skills mismatch, to enable the working population into work.
2. Our residents, staff or the visitors to the borough experience harm or injury, either immediate or longer term effect on their health and well-being.
3. The provision of business premises and housing within the Borough does not meet the demands of current and potential residents and business owners.
4. We are unable to contain demand for our services, particularly in the most damaging areas (*1. Domestic Abuse, 2. Drug and alcohol addiction, 3. Mental health*) within the limits of funding available and encourage the community to seek to help themselves whilst tackling the most significant demand pressure areas.
5. We are unable to maximise the opportunities for generating income in future years.
6. The Council does not respond efficiently or effectively to changes in political and legislative environment and / or fails to meet existing statutory responsibilities.
7. The Council does not have the required culture, expertise, technology or skills to meet the future challenges the organisation faces.

3.5 The work to develop and embed the new approach will continue and a further update

will be provided to Members at the next meeting.

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

Vanessa Bateman, Interim Head of Audit & Investigations, 7th floor, Brent Civic Centre
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CONRAD HALL
Chief Finance Officer

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 Brent	Audit Committee 20 March 2017 Report from the Chief Finance Officer
For Information	Wards Affected: ALL
Draft Counter Fraud Strategy and Plan 2017/18	

1. Summary

- 1.1. This report sets out the Council's Counter Fraud Strategy and Plan for 2017/18 and the basis on which the Plan has been formulated.

2. Recommendations

- 2.1 The Audit Committee note the Strategy and Plan and the approach taken to formulate the plan for the 2017/18 financial year.

3. Detail

Counter Fraud Strategy 2017/18

- 3.1 Following a review of the Audit & Investigations Shared Service hosted by the London Borough of Ealing it has been decided that the Council will from early in 2017/18 return to an in house service.
- 3.2 The strategy and planning process reflects that the risk environment is constantly changing, requiring continuous review and re-evaluation to ensure that emerging risks are identified and assessed and included as appropriate in the plan. Specifically, recognising the unprecedented challenges facing Public Sector finances, the strategy must have in built flexibility to consider:

- Issues of local significance and importance;
- Changes in National Guidance;
- Preserving the right balance between the different types of activity, prevent – detect and pursue;
- Continuous development of the team;
- New areas of activity;
- Development of smarter working through use of data matching and analytics (both locally and London wide);
- The impact of change on existing control structures including models of service delivery.

3.3 The Counter Fraud Work Plan has been developed in line with the applicable guidance; it reflects the reconfiguration of the Brent Team as being separate from the previous Shared Service.

3.4 The 2017/18 Plan is an indicative plan which is kept under review to ensure that it is aligned to emerging risks. It is subject to revision during the year with quarterly updates provided to Audit Committee regarding performance against the plan and any developments in the plan.

3.5 Proposed delivery and performance targets are set out within the Fraud Plan as an appendix to this report.

4. Financial Implications

4.1 Service costs will continue to be contained within the Audit & Investigation budget.

5. Legal Implications

5.1 Counter Fraud work is carried out in compliance with criminal and civil law and criminal investigation procedures relevant to investigation work including: the Police and Criminal Evidence Act (PACE) 1984, the Criminal Procedure and Investigations Act (CPIA) 1996, the Human Rights Act 1998, the Regulation of Investigatory Powers Act (RIPA) 2000, the Anti-Terrorism Crime and Security Act 2001, the Public Interest Disclosure Act 1998 and relevant Employment Law, Fraud Act 2006, Proceeds of Crime Act 2002.

6. Diversity Implications

- 6.1 None, however, any special proactive drives may be subject to an equal opportunities risk assessment.

7. Background Papers

- 7.1 Fighting Fraud & Corruption Locally Strategy.

8. Contact Officer Details

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CONRAD HALL
Chief Finance Officer

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Counter Fraud Work Plan 2017/18

March 2017

Introduction

This document sets out the Council's Counter Fraud work plan for the 2017/18 financial year. The key challenge in responding to fraud risk is that no two frauds are the same. Fraud comes in many forms and from many sources. The Counter Fraud Team needs to be prepared for, and responsive to, new fraud risks and challenges as well as proactive in detecting fraud to enable recovery of Council funds from known sources. An important element of the role of the team is preventative, by being a visible presence within the Council and across the borough, working alongside external agencies including the Police and the Department for Work and Pensions (DWP) to raise public awareness and prevent fraud before it occurs.

The team remains responsible for all aspects of counter fraud and prosecution activity across the council, including but not limited to:

- Corporate fraud matters in relation to offences committed by employees;
- Procurement fraud by employees, contractors or other third parties;
- Fraud within schools;
- Housing related fraud in relation to applications, occupancy, sub-letting and Right to Buy applications; both for Brent Housing Partnership (BHP) and Housing Association partners.
- Council Tax Reduction Scheme applications;
- Blue Badges;
- Direct Payments fraud
- Non-Recourse to Public Funds cases.

The Council maintains a robust Anti-Fraud and Bribery policy on fraud and seeks to identify and appropriately deal with all those who have committed fraudulent acts against the Council. The Council's Counter Fraud Team works to identify losses to be recovered and, where appropriate, will take recovery action in accordance with the Proceeds of Crime Act following financial investigations.

Brent's Anti-Fraud and Bribery Policy seeks to reassure the users of Council services and employees of the Council that we take a tough stance against fraud.

Counter Fraud team objectives and targets for 2017/18

The Counter Fraud Team has the following objectives for the coming year:

- Appoint a new Head of Audit and Investigations and re-configure the service to create the most effective and appropriate counter fraud response for Brent.
- Maintain and promote a continued cohesive approach for the delivery of Counter Fraud activity within the Council; in particular a more joined up approach is planned whereby Fraud Investigators and Internal Auditors work more closely to enhance the detection and investigation of fraud risks within schools, this cohesive approach will be further bolstered by the development of a more holistic approach to dealing with financial risks within schools. A new strategic group is being created to formally involve HR, Finance, Schools Improvement, Audit and Investigations.
- Completion of cross borough proactive Counter Fraud activity including for example hosting of a counter fraud conference targeting fraud within Schools.
- Implementing a smarter focus on outcomes, prioritising resources where the greatest impact is most likely to be achieved
- Developing the capability and capacity of the team in relation to both Corporate Fraud and recoveries of illegal profit under the Prevention of Social Housing Fraud Act 2013.
- Undertaking targeted pro-active fraud operations
- Maintaining and developing partnership working with BHP and Housing Associations to tackle Housing Fraud

These objectives will be delivered through the work programme outlined in the following section. The performance of the team will be measured against the following:

Housing Recovery target: Recoveries: 55

The following five special proactive investigation projects are planned:

1. Staff sickness, the objective of this project is to determine whether Brent exhibits best practice in the management of staff sickness. We plan to look at general sickness procedures and also the dealing of complex cases.
2. Zip car usage, the objective of this project is to establish the extent of any misuse by staff in the scheme.
3. Special project to prevent, detect and investigate Business Rates fraud, the objective of this project is to establish the existing procedures and protocols within the department to prevent and detect fraud; And to establish a methodology to determine a sample of high risk cases for scrutiny. These could include looking at various discounts e.g. charitable relief cases, discounts for unused space and property size changes. We would also wish to look at cases where businesses are totally undeclared for tax and where corruption or collusion might be a factor.

4. Special project to enhance joint working with BHP and Housing Associations, to prevent, detect and investigate Housing Fraud (Right to Buy, abandonment, false assignment and succession and subletting).

5. Communications and PR, this project seeks to publicise our successes, as well as to foster new information, intelligence and allegations from our partners and citizens.

It is important to note that the current Interim Head of Audit and Investigations is contracted until June 2017 and that around a third of counter fraud resources are currently provided by agency staff, who will be leaving in around March 2017. The recruitment of the new permanent Head of Audit and Investigations is underway and the recruitment of at least three new counter fraud staff will need to occur once new structures have been established to provide a more effective, reconfigured service.

The nature of proactive work is that the projects above are likely to need time to reach fruition, immediate tangible results are not normally achievable. The full benefits of the work is likely to be achieved in 2018/19.

It also planned that the existing proactive work will continue in relation to detecting and investigating fraud in Personalised Budgets (Direct Payments), Non-Recourse to Public Funds (NRPF) and Blue Badge misuse and fraud (via on street quarterly drives).

In relation to NRPF, a formal business case is being drafted to detail the costs and possible wide scale benefits around the proposal to embed an Immigration Officer at Brent to formally work with the team to prevent and detect fraudulent applications. This approach has been trialled successfully in Lewisham, where an overall 31% fraud rate in applications has been detected, it has been reported that the embedded immigration officers are directly responsible for around a third of this detection.

Counter Fraud Work Programme for 2017/18

In its publication The Local Government Fraud Strategy, The National Fraud Authority recommended a three strand approach to countering fraud. The Council has an Anti-Fraud and Corruption Strategy which links our stance on fraud to the three strands and is the basis of this work programme.

Acknowledge	Prevent	Pursue
<i>Acknowledging and understanding fraud risks</i>	<i>Preventing and detecting fraud risks</i>	<i>Being stronger in punishing fraud and recovering losses</i>
<ul style="list-style-type: none"> Assessing and understanding fraud risks Committing support and resource to tackling fraud Maintaining a robust anti- fraud response 	<ul style="list-style-type: none"> Making better use of information and technology Enhancing fraud controls and processes Developing a more effective anti-fraud culture 	<ul style="list-style-type: none"> Prioritising fraud recovery and the use of civil sanctions Developing capability and capacity to punish fraudsters Collaborating across local authorities and with law enforcement

Acknowledge

Activity	Detail	Target Outcomes
Right to Buy	<p>In the publication Protecting the Public Purse, detected Right to Buy fraud cases for 2014 were worth £12.3 million.</p> <p>We will continue to work with the Right to Buy team to conduct detailed risk based checks into applicants who are in the process of purchasing their council property.</p>	To ensure that the Right to Buy Team have the best systems in place to prevent and detect fraud and that they are invoking anti money laundering rules in all appropriate instances
Business Rates	<p>Business Rates continues to be a known fraud risk area.</p> <p>We will work with the Business Rates team to conduct visits to businesses and properties within the borough where exemptions and discounts have been applied. The visits will help ensure that exemptions and discounts have been claimed correctly.</p>	<p>To proactively identify instances of fraud or to give assurance that the current processes the council operates with regards to business rates exemptions and discounts are mitigating fraud risks.</p> <p>This will also raise the profile of the Council's Counter Fraud Team within the local business community.</p>
Effective publicity and promotion of anti-fraud work	Brent and other neighbouring Councils, have in the past worked to prevent fraud and to foster new referrals, by actively publicise successes and also running campaigns to target certain risk types e.g. housing fraud.	To work with the councils press office and Brent Housing Partnership to publicise cases and to promote anti-fraud campaigns, we are already tentatively working with Shine TV to produce a documentary on a recent successful housing prosecution case.
Social Housing Fraud	<p>We will seek to tackle areas of social housing fraud risk. This includes Housing applications, allocations, the housing waiting list, temporary accommodation and Right To Buy.</p> <p>The Audit Commission has identified tenancy fraud as the greatest loss to Local Government, estimating that nationally this type of fraud costs councils £900 million annually.</p>	<p>We will aim to prevent and detect false applications for housing and reduce fraud risk in temporary accommodation.</p> <p>We will undertake criminal prosecutions where appropriate having regard for the Fraud Act 2006 and the Prevention of Social Housing Fraud Act 2013 and raise awareness of the problem of social housing fraud and the damage it does.</p>

School Fraud	<p>The Audit Commission has stated that the number of fraud cases detected in maintained schools have risen by 6 per cent, and is worth £2.3 million.</p> <p>These frauds are generally committed by staff. We will seek to tackle this risk of fraud by working with the schools to address weak governance, and respond to concerns.</p>	To identify instances of fraud or to give assurance that the current processes the school operates are mitigating fraud risks.
Procurement	<p>In 2013/14 councils nationally detected 127 cases of procurement fraud worth about £4.5m.</p> <p>There is concern that organised crime is more prevalent in procurement fraud than in other fraud types.</p>	We will be alert to the risk of procurement fraud and deal effectively with any detected cases.
Personal Budgets	<p>As the use of personal budgets has expanded since 2007 the number of cases of detected fraud has also risen. In 2013/14 these cases nationally were worth £6.2m.</p>	We will be alert to the risk of fraud and will ensure that proper safeguards are in place proportionate to risk and in line with good practice.
Council Tax Discount	<p>Councils nationally detect more Council Tax discount fraud than any other type of non-benefit fraud. Despite having the lowest average value of non-benefit frauds, in 2013/14 these cases were worth £16.9m.</p>	We will continue to investigate cases of Council Tax Discount fraud and impose appropriate sanctions.


Prevent

Activity	Detail	Target outcomes
To continue to deliver Fraud Awareness training and to raise awareness of the team's activities across the Council, in order to identify new areas of activity.	This work seeks to raise the profile of counter fraud. Additionally we will seek to reinforce messages about the standards of behaviour expected from staff, ways to consider fraud risks and how and when to report suspicions of fraud. We will also ensure key messages from recent publications are included. This is a vital means of shaping the culture of the organisation.	Managers and staff are aware of fraud risk and the key messages are disseminated to teams. We will request feedback from delegates on fraud awareness training courses

Pursue

Activity	Detail	Target outcomes
We will allocate resources to investigate anomalies raised by the National Fraud Initiative data matching exercise.	<p>During 2015 administration of the National Fraud Initiative Audit moved from the Audit Commission to the Cabinet Office.</p> <p>The initiative is run every two years, although ad hoc matches are now also conducted throughout the intervening years.</p> <p>During 2017/18 we will be investigating various anomalies across a range of data matches that will be provided to the council.</p> <p>We will work with internal departments and external organisations in order to undertake risk assessments on the matches we have received. Where appropriate we will conduct investigations report outcomes.</p>	To identify fraud, error and overpayments.
We will carry out large scale, pro- active counter fraud operations in order to raise the profile of the team in the community and with other stakeholders. In order to detect cases of fraud that would not otherwise identified.	We will carry out at least one operation per quarter, based on intelligence, local knowledge and previous experience.	<p>Blue badge enforcement, Non-Recourse to Public Funds, Proactives for Housing Association partners, recover social housing and apply sanctions as necessary.</p> <p>Raise the profile of the Counter Fraud Team's partnership working.</p>
Investigate instances of Council Tax Reduction Scheme fraud.	We will work closely with our partners in the Department for Work and Pensions (DWP) and participate in the Housing Benefit Matching Service (HBMS) and the National Fraud Initiative (NFI) data match.	To identify fraud and apply sanctions where required.

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 <p>Brent</p>	<p>Audit Committee 20 March 2017</p> <p>Report from the Chair of the Audit Committee</p>
<p>For information</p>	<p>Wards affected: ALL</p>
<p>Improving the Working of the Audit Committee</p>	

1.0 Summary

- 1.1 This report sets out a number of suggestions from the Chair of the Audit Committee to help improve the working of the Committee.

2.0 Recommendations

- 2.1 It is recommended that the Audit Committee recommends to the Constitutional Working Group that:
- Present an annual report to the Council, on the major issues identified and level of assurance provided.
 - Request that a programme of additional training be offered to members.
 - Request that consideration be given to trying and maintain a common membership of the Committee, subject of course to the outcomes of elections.
- 2.2 That Members consider any other improvements they may wish to recommend.

3.0 Background

- 3.1 Following some consideration of the Audit Committee's effectiveness and in view of approaching the end of the Chair's second term, the Chair sets out below a number of suggestions that he believes may help the effectiveness of the Committee, and hence help the level of assurance it can provide to the Council.
- 3.2 Although taken a few years ago, the introduction of "call in" arrangements, where managers are asked to attend the committee to explain the action being taken following a significantly unsatisfactory audit report has undoubtedly helped the level of assurance the Committee can provide. It is, however, acknowledged that there is a feeling among some officers that this is heavy handed, which will need to be considered.

3.3 A major issue that was identified was the lack of expert independent input in the Committee's discussions, (the Chair is an independent, a qualified accountant, with a long local government finance background, but he had identified that chairing the meeting, he is at least in part prevented from acting as independently as he would have wished). The Committee therefore agreed to the recruitment of a second independent member, and the Council has been very fortunate in recruiting an independent with a vast experience of local government audit at a senior level.

3.4 A forward plan for the Committee is also being introduced to try and better plan the workload of the Committee.

4.0 Detail

4.1 A number of additional actions are suggested that should improve the efficiency of the Audit Committee. These have been outlined in the paragraphs below.

4.2 A concern is that there is not enough feedback from the Audit Committee to the Full Council, and it is suggested that an annual report on the key issues, identified by the Audit Committee during the municipal year, is presented to Full Council.

4.3 A further need that was identified was for additional training, although some training is being provided on both Treasury Management, by the Council's Treasury Management advisors, and jointly with a number of other authorities by PriceWaterhouseCoopers (PwC) as part of their internal audit provision (regrettably only the Chair and one member were able to attend). The Chair also attended a meeting organised by KPMG with a number of other Chairs and lead members. It is suggested that some additional training on such subjects as the level of risk, assurance and questioning, would be of help and it is therefore suggested the Committee again look to our two firms of auditors, Treasury Management Advisors, and in house staff to provide this. Although there will clearly be a cost to this the Chair believes it would be justified.

4.4. Linked to the above, and although it is clearly acknowledged that the appointment of Members to the Committee is the preserve of Councillors, in view of the suggested investment in training and the experience gained in this area, it is suggested that, as far as possible, the same Members remain on the Committee for a whole Council.

5.0 Financial Implications

5.1 There may be some limited cost from the provision of additional training.

6.0 Legal Implications

6.1 None.

7.0 Diversity Implications

7.1 None.

8.0 Staffing Implications

8.1 None

Background Information

None

Contact Officers

Conrad Hall
Chief Finance Officer

David Eward
Chair of the Audit Committee

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Topic / Date	30-Jun-16	22-Sep-16	11-Jan-17	20-Mar-17	Jun-17	Sep-17	Jan-18	Mar-18	Jun-18	Sep-18	Jan-19	Mar-19
Internal Audit & Investigations												
Internal Audit Annual Report, including Annual Head of Audit Opinion					X				X			
Review Internal Audit Charter				X				X				X
Internal Audit Progress Report			X	X	X	X	X	X	X	X	X	X
Draft Internal Audit Strategy & Plan				X				X				X
Draft Fraud Strategy & Plan				X				X				X
Limited Assurance Reports				X	X	X	X	X	X	X	X	X
External Audit (KPMG)												
Report to those charge with Governance (Council and Pension Fund)												
Monitor Progress of Actions Arising from KPMG ISA 260 report (Council & Pension Fund)												
Agree annual External Audit Plan in respect of 2015/16 Accounts and associated Fees												
*External Audit progress report	x				x				x			
*External Audit plan				x				x				x
*KPMG - Certification of grants and returns												
*KPMG - terms of reference for audit cttee training												
*Statement of Accounts & External Auditor's Report		x				x				x		
*KPMG Annual Audit Letter												
*Strategic Audit Partner Procurement - Update												
*Information Commissioners Office Audit												
*Review of progress against previous KPMG recommendatins												
Financial Reporting												
Review Accounting Policies												
Consider Annual Financial Statements												
Quarterly Treasury Management Report												
Annual Treasury Management Report												
*Treasury Management Strategy & Annual Investment Strategy			x				x				x	
*Draft Statement of Accounts	x				x				x			
*Mid-Year Treasury Management Report		x				x				x		
*Treasury Management Outtrun Report	x				x				x			
*Account & Audit Regulations												
*Certifications of Grants and Returns												
*Investigation into Finance Services Centre Payment Processing												
Governance												
Receive and agree the Annual Governance Statement	x				x	X			x	X		
Risk Management												
Risk Management Annual Review, including Risk Management Strategy							X				X	
Strategic Risk Register			X		X		X		X		X	
Other												
Local Government Ombudsman Investigation		x		X								
Audit Committee Effectiveness												
Review Forward Plan												

Approve Terms of Reference, Quorum, Membership and Dates of Meetings (Annually)												
Carry out Self Assessment of Audit & Anti Fraud Arrangements												
Hold an Annual Private Meeting between Chair oif Audit and Head of Audit and Risk Management												
Determine and Deliver Training Requirements for Audit Committee Members as Required												
Role of the Audit Committee												