



Audit Committee

Thursday 22 September 2016 at 7.00 pm
Board Room 2 - Brent Civic Centre, Engineers Way,
Wembley HA9 0FJ

Membership:

Members

Mr Ewart (Chair)

Councillors:

A Choudry (Vice-Chair)

Davidson

Khan

Naheerathan

Nerva

Substitute Members

Councillors:

Long, Hoda-Benn and McLeish

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The press and public are welcome to attend this meeting

Agenda

Introductions, if appropriate.

Apologies for absence and clarification of alternate members

Item	Page
1 Declarations of personal and prejudicial interests	
Members are invited to declare at this stage of the meeting, any relevant personal and prejudicial interests and discloseable pecuniary interests in any matter to be considered at this meeting.	
2 Deputations	
3 Minutes of the previous meeting	1 - 6
4 Matters arising	
5 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.	
6 Internal Audit Report - Torah Temimah Primary School	7 - 80
The attached report includes the findings and recommendations arising from a recent audit of internal controls at Torah Temimah Primary School. The Audit Committee has a role in reviewing audits with limited or nil assurance opinions. The Head teacher and Chair of Governors of Torah Temimah have been invited to attend the meeting of the committee to discuss the main issues highlighted in the report.	
7 Statement of Accounts 2015/16 and External Auditor's Report	81 - 128
The Audit Committee has responsibility for considering issues raised by the external auditors as part of the process of approving the annual	

statement of accounts. The basis for this consideration is the “report to those charged with governance” also referred to as the ISA260 report. The Council’s external auditors, KPMG, produce the report following completion of the audit of accounts. The report is intended to identify any changes to the accounts, unadjusted mis-statements or material weaknesses in controls identified during the audit work. It also provides the findings from the value for money conclusion for the year.

8 Internal Audit and Counter Fraud Progress Report for the period 1 April – August 2016 129 -
148

This report provides an update on the progress against the internal audit plan for the period 1 April 2016 to 31 August 2016. The appendix to the report also summarises those reports from the 2015/16 plan which have been finalised since the last meeting of the committee. The report also provides a summary of counter fraud work for the first quarter of 2016/17.

9 Shared service update 149 -
150

The council entered into a shared services arrangement for delivery of its internal audit service in October 2015. The arrangement is hosted by the London Borough of Ealing, who also jointly provide audit service to the London Borough of Hounslow. This report updates members on this arrangement.

10 2016/17 Mid-Year Treasury Report 151 -
158

This report updates Members on recent treasury activity.

11 Local Government Ombudsman's investigation into a complaint against London Borough of Brent -Ref 14019 234 159 -
178

This report relates to the Housing Needs Service’s and Brent Housing Partnership’s handling of a BHP tenant’s request for urgent rehousing due to domestic violence. Ealing further delayed in processing the case when it was referred to them.

12 Date of next meeting

The next scheduled meeting of the Audit Committee is scheduled to be held on 11 January 2017.



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

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



LONDON BOROUGH OF BRENT

MINUTES OF THE AUDIT COMMITTEE Thursday 30 June 2016 at 7.00 pm

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

Also present: Councillors S Choudhary

Apologies for absence were received from: Councillors Naheerathan

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

None declared.

2. **Deputations**

None.

3. **Minutes of the previous meeting**

The following amendments were made to the minutes:

minute 5 - 1st paragraph - amend the sentence: He and drew attention to areas on which the audit would focus.... to read: Phil Johnstone drew attention to areas on which the value for money conclusions would focus....

- 1st paragraph - delete final sentence

- 2nd paragraph - 3rd sentence - amend 'Any errors would be reported....' to 'Material errors would be reported....'

minute 6 - 1st sentence amend 2014/2016 to read 2014/2015.

RESOLVED:-

that the minutes of the previous meeting held on 23 March 2016 be approved as an accurate record of the meeting subject to the above amendments being made. (amendments incorporated).

4. **Matters arising**

Corporate risk register

It was noted that the copy of the Hounslow risk register had been circulated and that the risk register would be reported in time for the next meeting of the committee.

5. **Date of next meeting**

The Chair explained that an earlier date was needed to the one scheduled for the next meeting of the committee. This would be arranged by the Democratic Services Manager.

6. Role of the Audit Committee

The Chair introduced the report which considered the arrangements in place for the Audit Committee and a plan for the year ahead.

Members recognised the important work carried out by the committee and felt that aspects of it needed to be more widely shared with all councillors and the wider community. The potential inter-action between the Audit Committee and the Council's Scrutiny Committees was referred to and it was agreed that the report should be updated to note this dynamic and the different roles that they played in the corporate governance structure.

The Chair referred to his own role as an independent member and the balance he had to bring to chairing the meeting and providing a critical independent view. He referred to paragraph 6 of CIPFA's Position Statement on Audit Committees attached as Appendix A to the report. This stated that the membership needed to be balanced, objective, independent, knowledgeable and properly trained. The need for independent properly trained and remunerated independent members was acknowledged. Discussion took place on what training/briefing sessions KPMG would be able to provide for members of the committee.

RESOLVED

- (i) that consideration be given to the committee producing an annual report for submission to Full Council;
- (ii) that efforts be made to attract suitably qualified independent person(s) to serve on the committee;
- (iii) that the Chief Finance Officer obtain suitable authority to recruit such person(s) on the basis of them being reasonably remunerated for the role;
- (iii) that consideration be given to the opportunities for training and development of all members of the committee, including seeking offers from suitable professional accountancy firms with whom the council has a working relationship.

7. Draft Statement of Accounts 2015/16

The Chair introduced the report presenting the draft Statement of Accounts. He thanked Ben Ainsworth (Finance Manager) and his team for the work put into producing them. The Chief Finance Officer emphasised the significant changes to the team that had prepared them resulting from staff reductions and highlighted to the committee that the team welcomed the audit process as a means of learning lessons from any errors that the accounts may contain. He noted that the underspend in 2015/16 was largely due to slippage on the capital programme and he felt the level of reserves were appropriate.

Ben Ainsworth explained the reduction shown in the Council's worth which was mainly due to pension liabilities and accounting for property, plant, equipment, vehicles and infrastructure. He stated that a note would be added to the accounts acknowledging that since the end of the financial year the EU referendum had taken place and that this was not considered to constitute a formal event after the balance sheet date, given the difficulty in quantifying its impact at this early stage. Ben Ainsworth also clarified to the committee that his staff were discussing with the auditor the proper accounting treatment for the changes made to MRP policy, and anticipated that some technical changes might be required to the draft accounts as a result.

In answer to questions about the level of reserves, Conrad Hall (Chief Finance Officer) stated that they were relatively low for a London borough and Phil Johnson (Director, KPMG) added that it would be important as times got tougher to effectively manage general reserves and earmarked reserves.

The Chair drew attention to note 30 of the draft accounts, which appeared on page 56 of the printed agenda, and asked officers to clarify the process by which the exit payment to the former HR Director had been agreed, as this was known to be a matter of interest to some members of the public.

Conrad Hall explained firstly that the Council acknowledged that the entire sequence of events reflected poorly on the Council. He added that the Council was not required to publish the figure, but had chosen to do so. Technically under regulations the note was only required to disclose the remuneration of the Chief Executive, officers reporting directly to the Chief Executive and statutory officers. The Council's former HR Director met none of these criteria in 2015/16, the year of account. Nonetheless, officers had decided to publish the figure because of the known interest in it, which was felt outweighed the statutory obligations.

In terms of process, Conrad Hall explained that in May 2015 advice had been sought from a leading QC specialising in employment law. The QC had been recommended by the Council's Monitoring Officer from a framework contract operated by the London boroughs legal alliance. His advice, in conference, had in summary been that the Council lacked good grounds to conduct a fair dismissal of the Council's former HR Director for a variety of reasons, and had it attempted to do so it was likely to have been found to have acted unfairly by an Employment Tribunal. Conrad Hall further advised that had such a course of action been attempted then the Council had been notified that a substantial claim would have been submitted by the former HR Director and that under those circumstances the decision had been taken to seek to settle matters by way of a compromise agreement. Conrad Hall added that the terms of the final settlement, essentially one year's salary plus notice, (which were broadly similar to payments to some other senior managers) had been notified to the external auditor. Whilst the auditor was not required legally to 'sign-off' such payments, he nonetheless had the power to intervene in cases where he felt the Council was acting inappropriately, for example if he considered the payment excessive. Phil Johnson confirmed this and that he had chosen not to exercise his powers to intervene. Conrad Hall concluded that the terms of the settlement had therefore been negotiated bearing the commercial considerations in mind. In response to a question from a member of the committee, Conrad Hall confirmed that the Council's former HR Director had not

been subject to disciplinary or capability proceedings, which would have been a decision of her then line manager.

Members asked why the situation had reached the point it had and further enquired of the process followed. The Chief Executive explained the circumstances at the time and pointed out the improvements that had since been made to the HR procedures concerned, as referenced in the Annual Governance Statement reported under item 9 on the agenda. The Chair suggested that consideration be given to what information could be made available on this matter that would provide a time line and demonstrate to members how lessons learnt had led to new improved procedures being introduced.

RESOLVED:

that the draft accounts be noted for submission for audit.

8. 2015/16 Treasury Management Outturn report

Members considered the report which updated them on Treasury Management activity and confirmed that the Council had complied with all its Prudential Indicators for 2015/16. This report would also be presented to the Cabinet and Full Council.

Gareth Robinson (Head of Finance) referred to the outcome of the EU referendum which would mean a period of uncertainty and possibly lower interest rates. Further discussions would take place and further predictions would be reported back. Conrad Hall (Chief Finance Officer) stated that there had been no change in the professional advice from Arlingclose on who the Council placed money with but the position was monitored closely. The position on the LOBO (Lender Option, Borrower Option) loans was discussed and it was noted that since publication of the agenda, three £5M LOBOs from Barclays had been converted to ordinary fixed rate loans at no cost to the Council.

A correction was made to paragraph 3.23 to amend the year shown to 2015/16.

RESOLVED:

that the 2015/16 Treasury Management outturn report be noted.

9. Draft annual governance statement 2015/2016

Steve Tinkler (Head of Audit and Investigation) introduced the report which set out the draft Annual Governance Statement (AGS) for 2015/16. He referred to the five significant governance issues shown in section 5 of the report which would be reviewed during the coming year.

RESOLVED:

that the draft AGS set out in appendix 1 to the report be approved for submission to the Chief Executive and Leader of the Council for signature.

10. Update report from external auditor (KPMG)

Steve Lucas (Senior Manager, KPMG) introduced the progress report which gave a high level overview on progress in KPMG delivering its responsibilities as the Council's external auditors. Of the identified risks listed in the report, it was reported that the first two were items auditors need to consider for all clients and not a particular concern in Brent and the other three were particular to Brent.

RESOLVED:

that the update report presented by KPMG be noted.

11. **Internal Audit Annual report 2015/2016**

Steve Tinkler (Head of Audit and Investigations) introduced the Annual Report which commented on the overall adequacy and effectiveness of the Council's internal controls and presented a summary of the audit work undertaken over the past year.

Specific mention was made of the ongoing work with the Torah Temimah school and the background to this was outlined to members. The committee agreed that if a satisfactory result from the audit was not forthcoming the Head and/or the Chair of the governing body should be requested to attend the next meeting of Audit Committee. Members queried what liaison took place with Ofsted if a school received an adverse report and Conrad Hall (Chief Finance Officer) undertook to look into this.

Members thanked the Audit team for their work and specifically for the fraud work that had resulted in the Council recovering 63 properties which had been sublet which was a significant 20% improvement on the previous year, which had itself been a year of high performance by the team.

The Chair noted the higher level of limited assurance opinions which were a concern and something the Council needed to be aware of.

RESOLVED:

- (i) that the report be noted;
- (ii) that action be taken to request the Head/Chair of the governing body of the Torah Temimah school to attend the next meeting of Audit Committee if the response to the audit is not satisfactory.

12. **Internal Audit Update report**

Steve Tinkler (Head of Audit and Investigations) introduced the report which updated the committee on audit activity since April 2016 and drew attention to the new initiatives the team were undertaking listed under paragraph 3.6 of the report. He added that an in depth review of Planning Services would also be undertaken.

RESOLVED:

that the report be noted.

13. **Any other urgent business**

None.

The meeting closed at 8.57 pm

D EWART
Chair

 <p>Brent</p>	<p>Audit Committee 22 September 2016</p> <p>Report from the Chief Finance Officer</p>
<p>For Information Wards Affected: ALL</p>	
<p>Internal Audit Report - Torah Temimah Primary School</p>	

1. Summary

- 1.1. The attached report includes the findings and recommendations arising from a recent audit of internal controls at Torah Temimah Primary School.
- 1.2. The Audit Committee has a role in reviewing audits with limited or nil assurance opinions. The Head teacher and Chair of Governors of Torah Temimah have been invited to attend the meeting of the committee to discuss the main issues highlighted in the report.

2. Recommendations

- 2.1. That the Audit Committee notes the main issues highlighted in the report following the Nil assurance audit opinion and the actions to be taken by the School to address them.

3. Financial Implications

- 3.1. There are no financial implications associated with this report.

4. Legal Implications

- 4.1. None

5. Diversity Implications

- 5.1. None

6. Background Papers

- 6.1. None

7. Contact Officer Details

**Conrad Hall
Chief Finance Officer**

**Final Internal Audit Report 2015/16
London Borough of Brent
Torah Temimah Primary School
September 2016**



Contents

Page No

Executive Summary	1
Detailed Findings	6
Action Plan	7
Summary of Findings	25
Statement of Responsibility	65
Appendix A – Objective and Scope	66
Appendix B – Definition of Audit Opinion, Direction of Travel, and Recommendation Priorities.	67
Appendix C – Audit Team & Staff Consulted	69
Appendix D – Assessment Timetable	69

Executive Summary

Introduction	<p>As part of the 2015/16 Internal Audit Plan, we undertook internal audit work at Torah Temimah Primary School, in order to determine the extent to which the School have implemented adequate and effective controls over key financial and administrative functions, as per the areas set out in Appendix A, together with the extent of their compliance with the Council's Financial Regulations for Schools. The outcome from the work is expressed in an audit assurance opinion as set out below.</p>
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Audit Assurance Opinion	None	Limited	Substantial	Full
Rationale Supporting the Audit Assurance Opinion				
	<p>The audit work carried out by Internal Audit (the scope of which is detailed in Appendix C) indicated that Control processes are generally weak leaving the processes/systems open to significant error or abuse. The key areas of weaknesses are as follows:</p> <ul style="list-style-type: none"> • Governance. • Budget setting and budget monitoring and control. • Procurement, contracts and high value expenditure. • Income and bank reconciliations. • Payroll. • Leadership pay. • Pay structure and employment contracts for non-teaching staff. • Accounting and processing of salaries of teaching assistants. • Clerking and minuting of meetings of the governing body. <p>The Direction of Travel provides a comparison with any prior audit visit. In this case, the arrow indicates that the assurance opinion has remained the same since the previous audit undertaken in 2012/13.</p>			

**Priority 1
Recommendations**

We have raised 11 priority 1 recommendations as a result of our work as follows:

- (1) The Governing Body and Head teacher should ensure the following:
 - That the draft budget is prepared on a timely basis (ideally before the start of the relevant financial year). Where final income figures are yet to be provided by the Council the school should use best estimates;
 - That the draft budget is in future reviewed and discussed by all members of the Finance Committee prior to being approved;
 - That the timing of the Finance Committee and Governing Body meetings are scheduled to allow sufficient time for the review and approval of both the draft and final budgets for submission to the Council and within the specified timeframes;
 - That the final budget and the carry forward surplus and its intended use is formally approved by the full governing body.

- (2) The Head teacher and School Business Manager should ensure the following:
 - That the formulae used to calculate percentage variances on the budget monitoring spreadsheets are checked to ensure that they are correct;
 - That payroll costs and income from donations are being promptly and correctly posted on SIMS and in a timely manner;
 - That where any significant variances are identified between the budget and the position to date or between the budget and year-end forecast, explanations should be recorded for these together with any relevant actions to be taken to address these variances and these should be presented for discussions at the scheduled Finance Committee meetings;
 - That all expenditure and income is properly and correctly accrued for at the year-end; and
 - That the budget monitoring reports are being signed off and dated by the Head teacher as evidence of review.

- (3) The Governing Body and Head teacher should ensure;
 - That the school complies with the Council's Contract Standing Orders, Finance Regulations and EU Procurement Regulations when procuring goods and services.
 - That at least three written quotes should be sought and obtained where the estimated value of a contract or procurement falls between £25k and £172,514. For supply and

services contracts where the estimated value exceeds £172,514 over the life of the contract, a formal competitive tendering process should be undertaken;

- That in future the School liaises with the Council's Procurement Team prior to rolling any of these contracts forward to ensure that appropriate checks are undertaken, that School is achieving value for money in the procurement of goods and services and that it is not in breach of Financial Regulations and EU procurement regulations; and
- That all contracts of between £5,000 and £9,999 are approved by the Finance Committee and contracts over £10,000 by the Governing Body, in accordance with the School's Scheme of Delegation.

(4) The Head teacher and the School Business Manager should ensure the following:

- That income registers are sufficiently detailed and include at least the following information: date income received; officer receiving payment; amount received; payee details; payment method; receipt reference; paying in slip reference; and date banked;
- That pre-numbered receipts should ideally be issued where practical for all monies collected on behalf of the School;
- That a reconciliation of income collected to income records is undertaken prior to banking and evidence of this is maintained; details of all income received is recorded on SIMS when income is received rather than when it appears on the bank statement;
- That a proper audit trail is in place for all income streams; and
- That all income is being posted to the correct ledger code.

(5) The Head teacher and School Business Manager should ensure the following:

- That all of the school's bank accounts are being reconciled monthly and on a timely basis; and
- That all bank reconciliations are reviewed and signed off by the Head teacher as evidence of review;
- That all bank reconciliations are being properly and correctly undertaken and the relevant documentary evidence (such as balances and reserves report) should be printed off the School's accounting system and attached to the reconciliation.

	<ul style="list-style-type: none"> • That when the bank reconciliation is being undertaken, the bank balance is compared to the cashbook balance from the school's accounting system at the date of the reconciliation and all differences identified are checked to ensure that they relate to genuine timing differences rather than to errors. Only outstanding receipts or unpresented cheques as at the reconciliation date should form part of the reconciliation • That assistance is sought from the School's Finance Team in order to correct the recurring errors in the School's budget share bank account reconciliations without delay; • That the reasons for any long outstanding unreconciled transactions should be promptly investigated and appropriate action taken to clear them. The School Business Manager should liaise with the Council's School's Finance Team in order to correct the general ledger transactions that are currently included in the unreconciled items listing; • That copies of bank mandates are retained at the School; • That the School Business Manager is removed from the list of approved cheque signatories without delay. <p>(6) The Governing Body should ensure that the school is complying with the requirements of the STPCD in respect of leadership pay (i.e. for the Principal). Consideration should be given to the advice provided by the Council's HR Team and a decision should be taken without further delay so that this matter can be resolved once and for all.</p> <p>(7) The Governing Body should expedite the implementation of pay structure for non-teaching staff and the development of employment contracts.</p> <p>(8) Regarding the salaries of teaching assistants, the Governing Body and the Head teacher should ensure the following:</p> <ul style="list-style-type: none"> • That the salaries of teaching assistants are being processed directly through the school's budget share account as is the case with other staff salaries; • That the current arrangements of their salaries being paid through the governor's account and reimbursed through the budget share should cease immediately;
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- Confirm that the appropriate statutory deductions (Tax and National Insurance contributions) were made and paid over to the relevant authorities during the period in which these arrangements have been in place. Once confirmation has been obtained, the School should provide the required evidence to Internal Audit;
- That expenditure in respect of teaching assistant's salaries and the corresponding income from donations are being correctly posted and accounted for on SIMS (i.e. the payroll costs should be processed and paid for from the budget share account and governor's contributions posted as donations); and
- More specifically, the transactions relating to the current financial year should be corrected with adjustments made as indicated in the previous paragraph.

- (9) The Head teacher and School Business Manager should ensure the following:
- That payroll costs are being correctly and promptly posted to the SIMS system (this should be done monthly);
 - That no adjustments / deductions are made to the payroll costs for teaching assistants except where are directly related to those costs. Any adjustments required should be processed as journals to ensure a proper audit trail;
 - That evidence of review of the final payroll reports sent to the payroll administrator by the head teacher are being retained.
- (10) The Governing Body and the Head teacher should ensure that all outstanding recommendations arising from the last review by Internal Audit are implemented. The School's Governing Body should monitor the progress of recommendations arising from audit reports to ensure that they are being promptly implemented.
- (11) The Governing Body and Finance Committee should ensure the following:
- That minutes of meetings of the Governing Body and Finance Committee includes more detailed narrative of discussions about financial matters such as the budget;
 - That meetings are properly minuted to explicitly record decisions of the governing body including for example the adoption of the Council's Financial Regulations; and
 - That the clerking of both meetings are undertaken ideally by an independent clerk.

Detailed Findings

Background	<ul style="list-style-type: none"> • Avigdor Hirsh Torah Temimah Primary School is a boys only voluntary aided Jewish school with children ranging from ages 4 -11 years. • The School has approximately 200 places on its role. • The last OFSTED visit was undertaken in November 2011. • The School uses the SIMS financial system. • The School had a carried forward surplus of £20,810 at the end of the 2014/15 financial year. The 2015/16 full year budget for the School was approximately £1.1m.
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Area Summary	Area	Recommendations Raised		
		Priority 1	Priority 2	Priority 3
	1: Governance	1	0	2
	2: School Development Plan, Ofsted and Internal Audit	1	0	0
	3: Budget Setting & Budget Management	2	0	0
	4: Procurement	1	**3	1
	5: Receipt of Income & Reporting	**2	**4	0
	6: Payroll & Personnel Procedures	4	6	1
	7: Unofficial Funds	0	1	0
	8: Assets	0	0	1
	9: Petty Cash	0	1	0
	Total	11	15	5
<p>** Some recommendations are relevant in more than one area. A breakdown of our findings is detailed within the Summary of Findings section of this report.</p>				

Action Plan

Recommendation	Management Response	Implementation Date/ Responsibility
<p>1. <u>Budget Setting (Priority 1)</u> The Governing Body and Head teacher should ensure the following:</p> <ul style="list-style-type: none"> • That the draft budget is prepared on a timely basis (ideally before the start of the relevant financial year). Where final income figures are yet to be provided by the Council the school should use best estimates; • That the draft budget is in future reviewed and discussed by all members of the Finance Committee prior to being approved; • That the timing of the Finance Committee and Governing Body meetings are scheduled to allow sufficient time for the review and approval of both the draft and final budgets for submission to the Council and within the specified timeframes; • That the final budget and the carry forward surplus and its intended use is formally approved by the full governing body. 	<p>All Agreed.</p> <p>Budget setting timetable will be prepared by SBM & HT Governors have calendar appointments to review progress in Feb and March. First draft budget to FPC by end February.</p> <p>Final draft to FPC by mid-March; GB approval by end of March. Annual meeting cycle will be agreed to permit this.</p> <p>This will be included on March GB agenda.</p>	<p>28 February 2017 / Head teacher & School Business Manager</p> <p>28 February 2017 / Head teacher & School Business Manager</p> <p>28 February 2017 / Head teacher & School Business Manager</p> <p>31 March 2017 / Head teacher / School Business Manager / Chair of Finance Committee and Clerk</p>

2.	<p><u>Budget Monitoring (Priority 1)</u></p> <p>The Head teacher and School Business Manager should ensure the following:</p> <ul style="list-style-type: none"> • That the formulae used to calculate percentage variances on the budget monitoring spreadsheets are checked to ensure that they are correct; • That payroll costs and income from donations are being promptly and correctly posted on SIMS and in a timely manner; • Where any significant variances are identified between the budget and the position to date or between the budget and year-end forecast, explanations should be recorded for these together with any relevant actions to be taken to address these variances and these should be presented for discussions at scheduled Finance Committee meetings; • That all expenditure and income is properly and correctly accrued for at the year-end; and 	<p>All Agreed.</p> <p>The new School Business Manager will be required to use a robust and appropriate accounting package to a level that they are able to generate reports detailing budget variances.</p> <p>New Business Manager / Interim cover will ensure this.</p> <p>New School Business Manager will annotate budget reports as appropriate and place on agenda for Finance Committee.</p> <p>New School Business Manager will do this.</p>	<p>Immediate / New School Business Manager / Head teacher/ Finance & Premises Committee</p> <p>Immediate / New School Business Manager / Head teacher & Finance Committee</p> <p>Immediate / New School Business Manager / Head teacher & Finance Committee</p> <p>Immediate / New School Business Manager / Head teacher, Finance Committee</p>
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Recommendation	Management Response	Implementation Date/ Responsibility
<ul style="list-style-type: none"> That the budget monitoring reports are being signed off and dated by the Head teacher as evidence of review. 	New School Business Manager will ensure this is part of fixed monthly work cycle with Head teacher.	Immediate / New School Business Manager / Head teacher & Finance Committee
<p>3. <u>Procurement, Contracts and High Value Expenditure (Priority 1)</u></p> <p>The Governing Body and Head teacher should ensure;</p> <ul style="list-style-type: none"> That the school complies with the Council's Contract Standing Orders, Finance Regulations and EU Procurement Regulations when procuring goods and services. More specifically, at least three written quotes should be sought and obtained where the estimated value of a contract or procurement falls between £25k and £172,514. For supply and services contracts where the estimated value exceeds £172,514 over the life of the contract, a formal competitive tendering process should be undertaken; In future the School should liaise with the Council's Procurement Team prior to rolling any of these contracts forward to ensure that appropriate checks are undertaken, that Schools are achieving value for money in the procurement of goods and services and that they are not in breach of Financial Regulations and EU procurement regulations; and 	<p>All Agreed.</p> <p>SBM will refer to these documents when procuring. These documents will be referenced directly in school's financial policies.</p> <p>SBM will adhere to this. We have been doing this but this may not have been documented properly. SBM to undertake review and tender for cleaning, security services & ICT support.</p> <p>The school is confident that appropriate measures were taken with respect to current security contract: shortlisted approved companies based on recommendations for value for</p>	<p>Immediate / Head teacher / Chair of Finance Committee / Finance Committee</p> <p>Immediate / Head teacher / Chair of Finance Committee / Finance Committee 30 September 2016 / School Business Manager</p> <p>Immediate / Head teacher / Chair of Finance Committee / Finance Committee</p>

Recommendation	Management Response	Implementation Date/ Responsibility
<ul style="list-style-type: none"> That all contracts of between £5,000 and £9,999 are approved by the Finance Committee and contracts over £10,000 by the Governing Body, in accordance with the School's Scheme of Delegation. 	<p>money and quality of service. Obtained quotes from 3 companies. Will undertake regular review of other rolling contracts e.g. cleaning.</p> <p>New SBM to implement formal paperwork to agree with Finance Governors, but is currently being done via email and conversations.</p>	<p>Immediate / School Business Manager & Head teacher</p>
<p>4. <u>Income (Priority 1)</u></p> <p>The Head teacher and the School Business Manager should ensure the following:</p> <ul style="list-style-type: none"> That income registers are sufficiently detailed and include at least the following information: date income received; officer receiving payment; amount received; payee details; payment method; receipt reference; paying in slip reference; and date banked; That pre-numbered receipts should ideally be issued where practical for all monies collected on behalf of the School; That a reconciliation of income collected to income records is undertaken prior to banking and evidence of this is maintained; details of all income received is recorded on SIMS when income is received rather than when it appears on the bank statement; 	<p>Agreed.</p> <p>Receipting is being done when requested by parents. School will investigate possibility of moving to cashless system. School has already introduced and promoted payment via BACS by parents for school meals.</p> <p>New income system has been put in place to record small amounts of money received as a practical, detailed means to record income, reconcile to banking, and identify non-payers.</p>	<p>30 September 2016 / Head teacher / School Business Manager / Chair of Finance Committee.</p> <p>Implemented in May 2016</p>

Recommendation	Management Response	Implementation Date/ Responsibility
<p>That a proper audit trail is in place for all income streams and that all income is posted to the correct ledger code;</p> <p>Review the responsibilities of the School Administrator and Secretary so that proper segregation of duties is being achieved within the income recording, processing and banking functions.</p>	<p>New SBM will ensure timely SIMS FMS entries are made.</p> <p>SBM will review this together with external consultant and Chair of Finance Committee.</p>	<p>31 July 2016 / School Business Manager & Admin staff</p> <p>30 September 2016 / Chair of Finance Committee</p>

5.	<p><u>Bank Reconciliation (Priority 1)</u></p> <p>The Head teacher and School Business Manager should ensure the following:</p> <ul style="list-style-type: none"> • That all of the school's bank accounts are being reconciled monthly and on a timely basis; and • That all bank reconciliations are being properly and correctly undertaken and the relevant documentary evidence (such as balances and reserves report) should be printed off the School's accounting system and attached to the reconciliation. • That when the bank reconciliation is being undertaken, the bank balance is compared to the cashbook balance from the school's accounting system at the date of the reconciliation and all differences identified are checked to ensure that they relate to genuine timing differences rather than to errors. Only outstanding receipts or unpresented cheques as at the reconciliation date should form part of the reconciliation; • That all bank reconciliations are reviewed and signed off by the Head teacher as evidence of review; • That assistance is sought from the School's Finance Team in order to correct the recurring errors in the School's budget share bank account reconciliations without delay; • That the reasons for any long outstanding unreconciled transactions should be promptly investigated and appropriate action taken to clear them. The School Business Manager should liaise 	<p>Agreed. This has now been done</p> <p>If the Council's Schools Finance Team do not have the capacity to provide assistance the School will seek assistance from other suitable providers. This has now been done.</p>	<p>All implemented / July 2016</p> <p>Immediate / School Business Manager</p> <p>Implemented / July 2016.</p>
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Recommendation	Management Response	Implementation Date/ Responsibility
with the Council's School's Finance Team in order to correct the general ledger transactions that are currently included in the unreconciled items listing.		
<p>6. <u>Leadership Pay (Priority 1)</u> The Governing Body should ensure that the School is complying with the requirements of the STPCD in respect of leadership pay (in respect of the Principal). Consideration should be given to the advice provided by the Council's HR Team and a decision should be taken without further delay so that this matter can be resolved once and for all.</p>	The School is of the view that changes in STPCD 2015 render this issue no longer applicable. The Chair of the Finance Committee raised this matter formally with Brent in April 2014 whose advice on this matter is awaited.	30 September 2016 / Head Teacher
<p>7. <u>Pay Structure and Employment Contracts for Non-teaching Staff (Priority 1)</u> The Governing Body should expedite the implementation of pay structure for non-teaching staff and the development of employment contracts.</p>	<p>Agreed. Pay structure has been drafted by Head teacher and will be presented to next meeting of Finance Committee for approval and then to next meeting of full GB.</p> <p>Staff will be assimilated onto the structure where applicable at the earliest possible date following formal adoption.</p> <p>HT has drafted employment contracts for non-teaching staff and will implement these for all</p>	<p>30 September 2016 / Head teacher / Chair of GB/ Finance Committee & School Business Manager.</p> <p>30 September 2016 / Head teacher / School Business Manager / Finance Committee</p> <p>30 September 2016 / Head teacher</p>

Recommendation	Management Response	Implementation Date/ Responsibility
	staff with support from Brent HR.	
<p>8. <u>Teaching Assistants Salaries (Priority 1)</u></p> <p>Regarding the salaries of teaching assistants, the Governing Body and the Head teacher should ensure the following:</p> <ul style="list-style-type: none"> • That the salaries of teaching assistants are being processed directly through the school's budget share account as is the case with other staff salaries; • That the current arrangements of their salaries being paid through the governor's account and reimbursed through the budget share should cease immediately; • Confirm that the appropriate statutory deductions (Tax and National Insurance contributions) were made and paid over to the relevant authorities during the period in which these arrangements have been in place. Once confirmation has been obtained, the School should provide the required evidence to Internal Audit; • That expenditure in respect of teaching assistant's salaries and the corresponding income from donations are being correctly posted and accounted for on SIMS (i.e.. the payroll costs should be processed and paid for from the budget share account and governor's contributions posted as donations). More specifically, the transactions relating to the current financial year should be corrected with adjustments made as indicated in the previous paragraph. 	<p>We wish to reassure you that the teaching assistants who are paid by another entity are of course paid under PAYE which is paid on a monthly basis under a formal payroll scheme with its own payroll reference number. Robust documentary evidence is readily available to demonstrate full compliance with HMRC requirements and we are happy to make this available for inspection.</p> <p>If Brent Council insists on these staff being transferred to the school payroll we will be willing to oblige but would advise you that we would have to go through the formal procedures necessary to switch the staff from the employment of the existing entity to that of the school. This will require us consulting with HR concerning TUPE and any other legal</p>	<p>30 September 2016 / Head Teacher & LB Brent Human Resources</p>

Recommendation	Management Response	Implementation Date/ Responsibility
	<p>requirements which would have to be complied with.</p> <p>All currently being addressed correctly. Brent to respond should they feel that such a change from the current compliant position is required.</p>	
<p>9. <u>Prompt Posting of Payroll Costs (Priority 1)</u></p> <p>The Head teacher and School Business Manager should ensure;</p> <ul style="list-style-type: none"> • That payroll costs are being correctly and promptly posted to the SIMS system (this should be done monthly). • That no adjustments / deductions should be made to the payroll costs for teaching assistants except where are directly related to those costs. That any adjustments required should be processed as journals to ensure a proper audit trail. • That evidence of review of the final payroll reports sent to the payroll administrator by the head teacher are being retained. 	All Agreed.	<p>31 July 2016 / Head teacher / Interim New & School Business Manager</p>
<p>10. <u>Implementation of Audit Recommendations (Priority 1)</u></p> <p>The Governing Body and the Head teacher should ensure that all outstanding recommendations arising from the last review by Internal Audit are implemented. The School's Governing Body should monitor the progress of recommendations arising from audit reports to ensure that they are being promptly implemented.</p>	Agreed.	<p>Immediate / Head teacher & Governing Body</p>

Recommendation	Management Response	Implementation Date/ Responsibility
<p>11. <u>Clerking of Governing Body & Finance Committee Meetings & Minutes of Meetings (Priority 1)</u></p> <p>The Governing Body and Finance Committee should ensure the following:</p> <ul style="list-style-type: none"> • That minutes of meetings of the Governing Body and Finance Committee includes more detailed narrative information of discussions about financial matters such as the budget; • That meetings are properly minuted to explicitly record decisions of the governing body including for example the adoption of the Council's Financial Regulations; and • That the clerking of both meetings are ideally undertaken by an independent clerk. 	<p>Agreed.</p> <p>A new clerk has been appointed and will undertake National College certified training in the next available training cycle. Clerk's role includes attendance of all committee meetings. A significantly increased budget allocation has been designated to support this function. Policy on content and format of minutes has been communicated clearly to the clerk and this is already being reflected in improved quality of minutes.</p>	<p>Immediate / Head teacher / Chair of GB / Clerk.</p>
<p>12. <u>Employment Status Checks (Priority 2)</u></p> <p>The Head teacher and School Business Manager should ensure that adequate steps are being taken to verify the employment status of individuals prior to payment being made to them without the deduction of tax and other statutory deductions. The completion of a self-employment status questionnaire would help to facilitate this process.</p>	<p>Agreed.</p> <p>HMRC Online Self-employment check tool to be completed for all new members of staff, with results printed and added to staff member docket.</p>	<p>Immediate / School Business Manager</p>

Recommendation	Management Response	Implementation Date/ Responsibility
<p>13. <u>Bank Mandate & Removal of School Business Manager from list of Cheque Signatories (Priority 2)</u></p> <p>The Head teacher should ensure that copies of bank mandates are retained at the School. The School Business Manager should be removed from the list of approved cheque signatories without delay</p>	<p>Agreed. This has already been done.</p>	<p>Implemented.</p>
<p>14. <u>Financial Policies and Procedures Document (Priority 2)</u></p> <p>The Head teacher and School Business Manager should ensure that the existing Financial Policies & Procedures (FPP) document is updated to include procedures for equipment leasing, unofficial funds and a requirement for the petty cash account to be reconciled monthly.</p> <p>The document should also be updated to ensure that it accurately reflects the procedures at the School.</p>	<p>Not Agreed. This document has been approved by the GB in July 2012 and then again in November 2015. Copies of approval are on the appropriate files since those dates.</p>	<p>N/A.</p>

15.	<p><u>Purchasing Procedures (Priority 2)</u></p> <p>The Head teacher and School Business Manager should ensure that controls over the purchasing of goods and services are made more robust by implementing the following controls:</p> <ul style="list-style-type: none"> • Purchase orders should be raised for all non-utility goods and services and approved by an authorised signatory; • The certification grid stamp should be completed in full by the School Business Manager prior to the invoices being approved for payment; • Supplier invoices should be approved by an authorised signatory with the approval in the form of a signature as opposed to the use of a grid stamp; • Payment should only be made on the basis of a valid invoice; • Segregation of duties should be maintained between the officer approving an order and the officer approving the corresponding invoice for payment; • Invoices should be paid within 30 days of receipt except where there is a dispute; • The list of authorised signatories should be updated to include what they are authorised to do and their authorisation limits; • Proper VAT invoices should be obtained which include the following: <ul style="list-style-type: none"> ➤ an invoice number, ➤ supplier's name and address, ➤ supplier's VAT number; ➤ invoice date; ➤ tax point; ➤ customer's name and address; 	All agreed.	Immediate / School Business Manager & Head teacher
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Recommendation	Management Response	Implementation Date/ Responsibility
<ul style="list-style-type: none"> ➤ description sufficient to identify the goods or services supplied to the customer; ➤ unit price excluding VAT; ➤ quantity of goods or the extent of services; ➤ rate of VAT that applies to goods or services being purchased; ➤ total amount payable excluding VAT rate of any cash discount; ➤ total amount of VAT charged. 		
<p>16. <u>Credit Card Policy and Procedures (Priority 2)</u></p> <p>The Head teacher and School Business Manager should ensure that the school credit card policy and procedures are regularly reviewed to reflect the current controls and practice.</p> <p>All credit card purchases should be supported by an approved requisition order and a valid receipt or invoice.</p>	<p>All Agreed.</p> <p>The new SBM will be requested to file all receipts on a monthly basis.</p>	<p>Immediate / School Business Manager</p>
<p>17. <u>Submission of Financial Returns (Priority 2)</u></p> <p>The Head teacher should ensure that all of the school's financial returns are being submitted to the Council within the prescribed deadlines.</p>	<p>Agreed.</p>	<p>30 September 2016 / Head teacher</p>

Recommendation	Management Response	Implementation Date/ Responsibility
<p>18. <u>School Meals (Priority 2)</u></p> <p>The Head teacher and School Business Manager should ensure that a record of free school meals provided to pupils on a daily basis is maintained.</p> <p>Where there are differences between the number of meals indicated on the supplier's invoices and the records maintained by the school, these should be investigated and the supplier required to amend their invoices (where the error is the supplier's) prior to the payments being made.</p>	<p>Not Agreed.</p> <p>The school is currently supplying school meals to all children from Reception to Year Two, to children from upper classes who are entitled to free school meals and to those who subscribe to them. There is a good system in place to record payments and entitlement, and there are very few pupils eligible for free meals. That being the case, there is little cost benefit for further systems.</p>	<p>N/A</p>
<p>19. <u>School Trips (Priority 2)</u></p> <p>The Head teacher should ensure that the School's Educational Visits Policy is regularly reviewed and updated.</p> <p>The Head teacher should ensure that all approved risk assessments for school trips are properly retained.</p>	<p>Agreed.</p> <p>Head teacher will include the policy within the standard annual policy review cycle.</p> <p>The school administrator will retain applicable risk assessments (or references to standardised risk assessments held centrally) together with all school trip documentation for a period of 6 years.</p>	<p>30 September 2016 / Head teacher</p>

Recommendation	Management Response	Implementation Date/ Responsibility
<p>20. <u>Staffing Structure (Priority 2)</u></p> <p>The Governing Body should ensure that a formal staffing structure is put in place and available for scrutiny as soon as possible.</p> <p>The staffing structure should be reviewed on a regular basis to take into account changing roll, curriculum or budgets.</p>	<p>Agreed.</p> <p>The staffing structure will be reviewed and considered at each Staffing & Education Committee meeting termly.</p>	<p>Implemented.</p> <p>Immediate / Staffing & Education Committee</p>
<p>21. <u>Pay Policy (Priority 2)</u></p> <p>The Governing Body and Head teacher should ensure that the School's Pay Policy is promptly updated. Once updated the policy should be approved by the relevant committee.</p>	<p>Not Agreed.</p> <p>This document has been approved by the GB in July 2012 and then again in November 2015. Copies of approval are on the appropriate files since those dates.</p>	<p>N/A</p>
<p>22. <u>Overtime Claim Forms (Priority 2)</u></p> <p>The Head teacher should ensure that overtime claim forms are appropriately approved with the approval in the form of a proper signature as opposed to a grid stamp.</p> <p>Staff should be reminded of the need to ensure that overtime claim forms are completed in full prior to submission. Where claim forms are not completed in full, they should be returned to the relevant person and not processed until properly completed.</p>	<p>Agreed.</p> <p>The overtime claim forms will be approved with proper signatures.</p> <p>Staff will be reminded of the need to ensure that claim forms are completed in full.</p>	<p>Immediate / Head teacher</p> <p>30 September 2016 / School Business Manager</p>

Recommendation	Management Response	Implementation Date/ Responsibility
<p>23. <u>Payroll Contract (Priority 2)</u> The Head teacher should ensure that all contracts are in the name of the School.</p>	<p>Not Agreed. This document has been approved by the GB in July 2012 and then again in November 2015. Copies of approval are on the appropriate files since those dates.</p>	<p>N/A</p>
<p>24. <u>New Starters (Priority 2)</u> The School should retain adequate documentary evidence of the recruitment and appointment process including the following:</p> <ul style="list-style-type: none"> • Letter of appointment; • Signed letter of acceptance from the potential employee; • Signed contracts of employment; • Evidence of two references having been obtained. 	<p>Agreed. New School Business Manager will create 'starters checklist' which details these stages and ensures that all documentation is retained.</p>	<p>30 September 2016 / Head teacher & School Business Manager</p>
<p>25. <u>Unofficial Fund (Priority 2)</u> The Governing body should determine and formally approve the aims and objectives of the Unofficial Fund, and also set the levels of delegated authority for the Fund.</p> <p>The Head teacher should obtain a copy of the audited accounts and they should be presented to the Governing Body without delay.</p>	<p>Agreed. This will actioned by the GB during summer 2016.</p>	<p>31 July 2016 / Governing Body</p>

Recommendation	Management Response	Implementation Date/ Responsibility
<p>26. <u>Petty Cash Account; Reconciliations and Expense Claims (Priority 2)</u></p> <p>The Head teacher and School Business Manager should ensure that:</p> <ul style="list-style-type: none"> • The petty cash account is maintained on an imprest basis. • The petty cash account is reconciled monthly; • That the monthly reconciliations are reviewed by a senior officer and signed off as evidence of the review; • That evidence of cash counts having been completed is maintained. • All expense claims are supported by a petty cash voucher; • All expense claims are approved by the Headteacher or other approved signatory with the approval in the form of a signature; • All expense claims are supported by a valid VAT receipt where appropriate (otherwise output VAT should not be reclaimed); and • The person receiving the reimbursement is required to sign the claims voucher as evidence of receipt of the reimbursement. 	<p>Agreed.</p>	<p>30 September 2016 / Head teacher & School Business Manager</p>
<p>27. <u>Risk Management Policy (Priority 3)</u></p> <p>The existing Risk Management policy should be reviewed and updated to include sufficient detail of how the School will manage its risks and the School's risk appetite. The policy should include at least the following:</p>	<p>Agreed.</p> <p>The Policy will be reviewed in the Autumn Term.</p>	<p>31 October 2016 / Head teacher & School Business Manager / Governing Body</p>

Recommendation	Management Response	Implementation Date/ Responsibility
<ul style="list-style-type: none"> • How risk management will be documented • Explain how risks will be identified, assessed and removed, minimised or managed • Explain how implementation of actions responding to risks are monitored and reviewed for effectiveness • Contain clear procedures and actions • Indicate the timing of any actions • When it was approved • Show when it was last reviewed • Reporting Arrangements. 		
<p>28. <u>Disaster Recovery Plan (Priority 3)</u> The Head teacher should ensure that the Disaster Recovery Plan is updated with up-to-date policies and relevant legislation.</p>	<p>Agreed. This will be reviewed once other urgent policies have been implemented.</p>	<p>December 2016 / Head teacher / School Business Manager</p>
<p>29. <u>Contracts to be Signed by Head Teacher (Priority 3)</u> All contracts entered into by the school should be signed by the Head teacher.</p>	<p>Agreed.</p>	<p>Immediate / Head teacher</p>
<p>30. <u>Authorised Signatory List to Payroll Provider (Priority 3)</u> The Head teacher should ensure that the payroll administrator is sent a list of authorised signatories in respect of payroll transactions /matters.</p>	<p>Agreed.</p>	<p>Implemented.</p>
<p>31. <u>Assets (Priority 3)</u> The School Business Manager should ensure that all assets are checked against the asset register.</p>	<p>Agreed.</p>	<p>31 October 2016 / School Business Manager</p>

Summary of Findings

In this section we set out a summary of our findings under each area of scope on an exception basis. Where weaknesses are identified, full details of these are included in the recommendations raised.

Area 1 - Governance

A review of the School's Instrument of Government indicated that there is currently a vacancy for a parent governor. It is understood that a recruitment process is currently underway to try to fill the vacancy.

Whilst we were given assurances by the Head teacher that the Council's Financial Regulations had been adopted by the Governing Body, the minutes of the meeting do not reflect this decision. Whilst we were given assurances by the Head teacher that detailed discussions about the school's financial position and budget do take place at meetings of the Governing Body and Finance Committee, following our review of the minutes of meetings of both, it is our view that that they were not sufficiently detailed and show little evidence of governors' involvement in discussions about the financial position of the School and the budget monitoring process.

Risk: Where matters discussed at meetings are not accurately minuted or where minutes are not sufficiently detailed, there is an increased risk that matters discussed and decisions taken at meetings may be disputed and that planned actions may not be subsequently followed up. Where decisions are not explicitly minuted or recorded there is an increased risk of the School being unable to demonstrate or provide evidence that governors have fulfilled their statutory responsibilities with regards to financial management.

Recommendation: Minutes of meetings of the Governing Body and Finance Committee should include more detailed narrative information of discussions about financial matters such as the budget. The Governing Body should ensure that its meetings are properly minuted to explicitly record decisions of the governing body including for example the adoption of the Council's Financial Regulations. See Recommendation 11 in Action Plan.

Meetings of the governing body and the Finance Committee are currently being clerked by the Head teacher and a governor respectively. Ideally minutes of meetings of the governing body and the Finance Committee should be clerked by an independent clerk. The reason for this is partly because of potential conflict of interest and the fact that the Head teacher and the governor may not be seen to be impartial or free from pressure when it comes to recording discussions or challenging how the governing body operates. Also, a professional / independent clerk is likely (on the whole) to be more up to date on governance matters in the school and in helping the board understand its role, functions and legal duties. In addition, as indicated above, the minutes of meetings are not sufficiently detailed and do not explicitly record approvals and decisions.

Risk: Where the role of Clerk is undertaken by the Head teacher or a governor of the school, there is an increased risk of potential conflicts of interests and that that the governing body may not function as effectively as it should.

Recommendation: The Governing Body and Finance Committee should ensure that clerking of their meetings is ideally undertaken by an independent clerk. See Recommendation 11 in Action Plan.

We confirmed that all 13 governors (which include 2 Associate governors) at the school and all relevant staff completed up to date declarations of interest forms in November 2015.

Whilst the School has in place a Risk Management Policy, our review of the policy indicated that it does not sufficiently address how the School will manage its risks or the School's risk appetite. Although the policy is required to be reviewed every two years, it has not been reviewed since it was approved by the governing body in June 2012.

Risk: Where the Risk Management policy is not sufficiently detailed, there is an increased risk that risks threatening the School's objectives and opportunities may not be identified or adequately controlled and managed, possibly resulting in these risks being realised together with their consequential impact. Where the Risk Management policy is not regularly reviewed, there is an increased risk that it may no longer be up to date or relevant to the School's current circumstances.

Recommendation: The existing Risk Management policy should be reviewed and updated to include sufficient detail of how the School will manage its risks and the School's risk appetite. The policy should include at least the following:

- ***How risk management will be documented***
- ***Explain how risks will be identified, assessed and removed, minimised or managed***
- ***Explain how implementation of actions responding to risks are monitored and reviewed for effectiveness***
- ***Contain clear procedures and actions***
- ***Indicate the timing of any actions***
- ***When it was approved***
- ***Show when it was last reviewed***
- ***Reporting Arrangements.***

See Recommendation 27 in the Action Plan.

Whilst we confirmed that the School has in place a Disaster Recovery Plan which was reviewed in November 2015, it was however noted that it does not appear to have been updated as the policies and legislation referred to within the policy were almost 10 years old. The plan should be subject to revisions and kept up to

date. Where any aspect of the plan is or has become out of date it is likely to not be of use during an emergency.

Risk: Where the Disaster Recovery Plan does not include up-to-date policies and legislation, there is an increased risk of incorrect procedures being followed during an emergency.

Recommendation: The Head teacher should ensure that the Disaster Recovery Plan is updated with up-to-date policies and legislation. See Recommendation 28 in Action Plan.

Area 2 - School Development Plan, Ofsted and Internal Audit

The School does not currently have a School Development Plan (SDP). Discussions with the Head teacher indicated that the reason for not producing an SDP is due to the school being judged as at risk of requiring improvement and thus having to be supported by a Rapid Improvement Group (RIG) for the last 18 months in liaison with the Council's School Improvement Services. The school was required to have termly improvement plans in place as a result of being a RIG supported school. The Head teacher confirmed that the school is due to exit from the RIG after which a 3 year SDP will be produced. Given the explanation indicated above we have not raised a recommendation regarding this matter.

It was noted that the nine of the recommendations arising from the follow-up internal audit report issued to the School in November 2014 had yet to be fully implemented by the School. The recommendations yet to be fully implemented include: the School Development Plan; high value expenditure; income; bank mandate, leadership pay, pay structures for support staff; purchasing procedures and petty cash. There was also little evidence to indicate that governors were monitoring the implementation of these recommendations. The recommendations that have yet to be implemented have been reiterated in this report.

Risk: Where the audit recommendations are not implemented or addressed in a timely manner and where this is not being monitored by the governing body there is an increased risk that the School is unable to demonstrate that it has put into place effective internal controls and public funds may be put at risk.

Recommendation: The Head teacher and the Governing Body should ensure that all outstanding recommendations arising from the last review by Internal Audit are implemented. The School's Governing Body should monitor the progress of recommendations arising from audit reports to ensure that they are being promptly implemented. See Recommendation 10 in the Action Plan.

Area 3 - Budget Setting and Budget Management

The school's budgeted income and expenditure for the 2015/16 financial year is £1,160,491 and £1,181,301 respectively. This together with a brought forward surplus from the 2014/15 financial year of £20,810 thus resulting balanced budget for 2015/16. Although the School does not currently have in place a School Development Plan for reasons already indicated in Area 2 above, we were able to confirm that the School has in place a three year rolling budget.

Our review of the budget setting process at the school highlighted the following issues:

- The draft budget was not produced until June 2015 (i.e. two months into the relevant financial year);
- The draft budget only appears to have been reviewed by the Chair of the Finance Committee rather than all members of the Committee. We found also no evidence of the draft budget being formally approved by the Finance Committee. Governors have a collective responsibility for important financial decisions in the school and should make decisions collectively.
- The governing body has not formally delegated the review and approval of the draft budget to the Finance Committee;
- The draft budget was not presented to the governing body;
- Although the final budget was approved by the Finance Committee, we found no evidence of it being presented to the Governing Body for approval. The School Financial Value Standard advises that whilst the governing body can delegate functions relating to the setting and approval of budgets to the finance committee, the committee must however report to the governing body in respect of any action taken or decision made, at regular intervals in the financial year.
- Whilst we were given assurances by the School Business Manager that Finance Committee agreed the carry forward surplus of £20,810 from 2014/15 and its intended use, the minutes of the meeting did not explicitly indicate this approval. The SFVS advises that schools should have plans for the

money they save, and should discuss plans for balances in governing body meetings, to ensure they get the best possible value from their budgets.

- We were unable to confirm the accuracy of the School's brought forward surplus of £20,810 from the 2014/15 financial year. Discussions with the Bursar indicated that adjustments were carried out by the Council's Finance Team at the year end. The makeup of the adjustments were however not clearly indicated.

Risk: Where the draft budget is not prepared on a timely basis, there is an increased risk that governors will be unable to effectively challenge the assumptions and basis of the budget. Where responsibility for the review and approval of the school's budget is not formally delegated to the Finance Committee there is an increased risk that it will be acting beyond its powers. There is a further risk that decisions made will be invalid. Where the draft budget is not collectively reviewed by the members of the Finance Committee and where the budget setting process is not sufficiently robust there is an increased risk that the governing body's responsibilities with regards to strategic financial management of the School may not be perceived as being effective.

Recommendation: The Governing Body and Head teacher should ensure the following:

- ***That the draft budget is prepared on a timely basis (ideally before the start of the relevant financial year. Where final income figures are yet to be provided by the Council the school should use best estimates);***
- ***That the draft budget is in future reviewed and discussed by all members of the Finance Committee prior to being approved and in accordance with the terms of reference;***
- ***That the timing of Finance and Governing Body meetings are scheduled to allow sufficient time for the review and approval of both the draft and final budgets for submission to the Council and within the specified timeframes;***
- ***The final budget and the carry forward surplus and its intended use is formally approved by the full governing body. See Recommendation 1 in action Plan.***

The School currently uses an excel spreadsheet for the monitoring of its budget. Following discussions with the School Business Manager, it is understood that the budget is monitored on a monthly basis by the Head

teacher. We were however unable to confirm this assertion as the budget monitoring spreadsheets were not signed off as evidence of review. Whilst it was noted that budget monitoring reports were being presented to Finance Committee there was little evidence in minutes of meetings of governors' involvement in discussions about the financial position of the School and the budget monitoring process. We have previously raised concerns in Area 1. **See Recommendation 11.**

Risk: Where there is no evidence of the budget monitoring reports being reviewed by the Head teacher, there is an increased risk that the School will be unable to demonstrate that the Head teacher has sufficient oversight and control over the School's finances.

Recommendation: The Head teacher should sign off and date the monthly budget monitoring reports as evidence of review. See Recommendation 2 in action Plan.

We reviewed a sample of budget monitoring spreadsheets and noted the following:

- There appears to be a problem with the formulae used for calculating the percentage variances for some expenditure and income codes within the spreadsheet. The effect of this is that a significant number of percentage variances in the report are incorrect;
- There were no explanations regarding the reasons for some significant variances and where there were explanations some of the reasons indicated were in our view incorrect;
- Where explanations were provided about some variances, the reasons indicated was that some expenditure was in respect of the previous financial year. The main reason for our concern about this explanation is that it may be an indication that expenditure is not being correctly accrued for at the year-end;
- There were delays in the posting of monthly payroll costs on SIMS;
- Income from some donations made from the governor's accounts are not in our view being processed correctly. This is discussed in more detail in Area 6 below.

Following our review of minutes of the Finance Committee we also noted that the committee has expressed concerns about the lack of clarity in the budget monitoring reports and had suggested that consideration be given to investigating the possible purchase of the budget monitoring software offered by the Council. It is

unclear whether the School Business Manager had investigated the use of an alternative system of budget monitoring.

Risk: Where the formulae used on budget monitoring reports to calculate variances are incorrect there is an increased risk that significant variances may also not be promptly identified. Where explanations are not provided regarding the reasons for significant variances there is an increased risk that corrective action may not be taken to address these in a timely manner which may in turn increase the risk of budgetary over or underspends by the year-end. Where the information used as the basis of monitoring the school's budget is incorrect or not up to date there is an increased risk that budget over or underspend may occur and not be promptly highlighted and appropriate action taken on a timely basis. Where expenditure or income are not correctly accrued for at the year-end there is an increased risk of expenditure or income being accounted for in the wrong financial year and thus that the School's accounts will be misstated. There is also an additional risk of potential overspends on the following financial year in respect of expenditure not budgeted for.

Recommendation: The Head teacher and School Business Manager should ensure the following :

- ***That the formulae used to calculate percentage variances on the budget monitoring spreadsheets are checked to ensure that they are correct;***
- ***That payroll costs and income from donations are being promptly and correctly posted on SIMS and in a timely manner;***
- ***Where any significant variances are identified between the budget and the position to date or between the budget and year-end forecast, explanations should be recorded for these together with any relevant actions to be taken to address those variances and this should be presented for discussions at the scheduled Finance Committee meetings.***
- ***That all expenditure and income should be properly and correctly accrued for at the year-end.***

See Recommendation 2 in Action Plan.

Area 4 - Procurement

The School has in place a Financial Policies and Procedures document (FPP) which has been approved by the Governing Body. Following our review of the FPP document, it was noted that it is not sufficiently

comprehensive as it does not include procedures for leasing, unofficial funds or the requirement for the petty cash account to be reconciled monthly. It was also noted that some sections of the FPP document have not been updated to reflect the actual procedures for the School.

Risk: Where the School does not have sufficiently comprehensive written financial procedures in place there is an increased risk of breakdowns in internal controls, a lack of clarity with regards to roles and responsibilities, a lack of accountability and inconsistencies in working practices.

Recommendation: The Head teacher and School Business Manager should ensure that the existing Financial Policies and Procedures (FPP) document is updated to include procedures for leasing, unofficial funds and a requirement for the petty cash account to be reconciled monthly. The document should also be updated to ensure that it accurately reflects the procedures at the School. See Recommendation 14 in Action Plan.

The School's Scheme of Delegation indicates that any expenditure above £5K requires the approval of the Finance Committee and any expenditure above £10K requires approval of the Governing Body. The Council's Financial Regulations requires any expenditure above £25K to have evidence of 3 written quotes being obtained and any expenditure above £172,514 to have evidence of a competitive tendering exercise being undertaken in line with EU regulations. We identified payments to the following organisations made over the last three years which exceeded £20,000 and reviewed them to ensure compliance with EU procurement regulations and the Council's financial regulations. The findings are as follows:

Supplier Name	Total Spend £ (Inc. VAT)			Findings
	2013/14	2014/15	2015/16 to date	
Combit Services Caretaker, cleaning and security services	£82,160	£76,615	£30,937	Discussions with the School Business Manager indicated that this service has been provided since 2009 with the security services element ceasing from 2015/16. The School

					Business Manager confirmed that quotes had not been obtained when the service first commenced and that there is no formal contract in place. A recommendation regarding this matter was raised in the previous audit report but has not been implemented. In addition, given that this is an ongoing contract and the value of this contact over a 4 year period is in excess of the EU threshold of £172,514, a competitive tendering exercise should have been undertaken in line with EU regulations.
	Marsworth Computing Ltd IT support	£33,686	£13,248	£10,990	We confirmed that this contract is an on-going contract which has been in place for the last 4 years. Discussions with the School Business Manager indicated that three quotes were obtained at the time the contract was let and we were provided with evidence of two quotes. It is understood that the third quote was from the School's existing provider at the time the contract was let, whose expertise it was felt did not compare with that of Marsworth. We confirmed that the quote from Marsworth was cheaper of the two quotes.
	The Southover Partnership Provision of SEN teacher	-	£14,569	£12,262	The School Business Manager confirmed that the School has worked with Southover Partnership for a number of years and that it is one of a limited number of agencies that supply special needs teachers. Therefore no quotes had been obtained. The Council's Financial Regulations requires any expenditure above £25K to have evidence of 3

					written quotes being obtained to ensure that value for money is being achieved.
	Secureteam Ltd Security Services	-	-	£12,038	This contract has been in place since June 2015. We confirmed that four quotes were obtained. Whilst Secureteam was not the cheapest quote, the company was selected because it provides regular training and support to the existing security guard. The value of this contract is in excess of £10,000 and therefore should have been approved by the Full Governing Body. There was no evidence of the contract being approved by the Full Governing Body. In addition given that this will be an ongoing contract rolled over every year and the value of the contract is worth over £200K over a 4 year period, a competitive tendering exercise should have been undertaken in line with EU regulations.
	London Borough of Barnet School meals	-	8,422	13,142	Discussions with the School Business Manager indicated that this is long standing contract and that Barnet School Meals are the only local authority that provides meals of high enough Kosher standard for the school. Therefore no quotes were obtained. 3 written quotes should have been obtained to ensure that value for money is being achieved. In addition the value of this contract is in excess of £10,000 and therefore should have been approved by the Full Governing Body.

With regards to on-going contracts (in particular the Combit Services and Secure Team Ltd), it is vital that the school is not in breach of Financial Regulations and EU procurement regulations by not subjecting these contracts to proper competitive tendering exercises where such contracts could potentially exceed £172,514 threshold over the life of the contracts. Financial Regulations states that “*when valuing a rolling contract with no defined termination date, the contract should be valued over a period of 48 months*”. This effectively means that the Combit contract and the Secure Team contract over a four year period would be worth at least £300K and £200K respectively thus exceeding the threshold of £172,514 indicated in Financial Regulations and for which the School should have undertaken competitive tendering exercises.

Risk: Where the School does not undertake a competitive tendering exercise or does not obtain at least three written quotations as part of the procurement process there is an increased risk of the School being unable to demonstrate that value for money was achieved in the procurement process. There is a further risk that the School will be in breach of EU Regulations and the Council’s Contract Standing Orders. Where expenditure over £5,000 is not approved by the Finance Committee, there is an increased risk of officers making decisions and incurring expenditure beyond their delegated powers and a risk of inappropriate expenditure being incurred.

Recommendation: The Governing Body and Head teacher should ensure that the school complies with the Council’s Contract Standing Orders, Finance Regulations and EU Procurement Regulations. More specifically:

- ***At least three written quotes should be sought and obtained where the estimated value of a contract or procurement falls between £25k and £172,514;***
- ***For supply and services contracts where the estimated value exceeds £172,514 over the life of the contract, the School is required to undergo a formal competitive tendering process;***
- ***In future the School should liaise with the Council’s Procurement Team prior to rolling any of these contracts forward to ensure that appropriate checks are undertaken, that Schools are achieving value for money in the procurement of goods and services and that they are not in breach of Financial Regulations and EU procurement regulations;***

- **All contracts of between £5,000 and £9,999 should be approved by the Finance Committee and contracts over £10,000 by the Governing Body in accordance with the School's Scheme of Delegation.**

See Recommendation 3 in the Action Plan.

Following a review of a sample of contracts it was noted that the contract with Marsworth Computing for the provision of IT support was not signed by the Head teacher and the contract with Cohen Arnold for the provision of payroll services was signed by members of the governing body rather than the Head teacher. The School Governance (Roles, Procedures and Allowances) (England) Regulations 2013 guidance document advises that *the 'board of governors' should operate at a strategic level, leaving the head teacher and senior school leaders responsible and accountable to it for the operational day-to-day running of the school.*"

Risk: Where contract agreements are not signed by the Head teacher, there is an increased risk of the School being unable to demonstrate that the terms and conditions were agreed in the event of a dispute. Where members of the governing body sign contracts on behalf of the School there is an increased risk of the governors being perceived as being involved in the day to day business of the school as opposed to having a more strategic role.

Recommendation: All contracts entered into by the school should be signed by the Head teacher. See Recommendation 29 in Action Plan.

The School has one lease agreement in place as detailed below:

Description	Supplier	Finance Company	Contract start date & Agreement Number	Length of Agreement	Total Value (£ approx.)
2 Photocopiers: 7855	Xerox	Xerox	1 st June 2015 Framework Agreement RM1599	36 months	£5,143

We confirmed that the School obtained three quotes; that the cheapest quote was selected and that the agreement was approved by the Finance Committee. We also confirmed that the School obtained approval from the Council's Chief Finance Officer prior to entering into the lease agreement.

We carried out tests on a sample of 15 expenses incurred between April 2015 and October 2015 in order to ascertain whether there are adequate controls in place to minimise the risk of fraudulent or unauthorised expenditure being incurred; to ensure that value for money was being achieved where appropriate and to ensure that financial regulations with regards to procurement were being complied with. Of 15 expenses tested the following exceptions were noted:

- Of the seven transactions where it would have been appropriate for purchase orders to have been raised, only in two instances were they raised;
- In the two instances in which purchase orders were raised, they were not approved;
- Whilst the School uses a certification grid stamp to endorse invoices, it was noted that the stamp is not being completed in full by the School Business Manager. We were thus unable to establish whether invoices had been checked for arithmetical accuracy or whether goods/services had been delivered prior to the invoices being passed for payment;
- One invoice was not approved for payment whilst 10 invoices which were apparently approved for payment by the head teacher were endorsed via use of a stamp rather than a signature;
- There was one instance in which a payment was made despite the invoice clearly stating that it was not a valid VAT invoice (the document indicated that it was Memorandum of Fees Accrued).

- In the two instances where a purchase order was raised, we were unable to confirm whether segregation of duties was in place between the person approving the order and the person approving the invoice as neither of the two orders were authorised.
- 10/15 invoices were not paid within the 30 days timescales. Discussions with the School Business Manager regarding the reasons for this indicated that the delays were due to a combination of resource constraints and cash flow problems.
- 3/15 invoices tested were not proper VAT invoices even though the relevant companies were VAT registered. Please see the recommendation below for more specific details.
- Whilst the School maintains a list of authorised signatories, it does not indicate what they are authorised to do or their authorisation limits.

Risks: Where internal controls over the purchasing of goods and services are not sufficiently robust, there is an increased risk of unauthorised goods and services being obtained and an increased potential for fraud to occur.

Where invoice certification grid stamp is not completed to indicate that invoices have been checked prior to being passed for payment, there is an increased risk of the School not being able to demonstrate that all the necessary checks have been performed on the invoice prior to being passed for payment. This may result in inappropriate payments being made.

Where duties relating to the approval of orders for goods and services and the authorisation of payments for these are not properly segregated, there is an increased risk of errors or fraud occurring and remaining undetected.

Where payment is made on an invalid invoice, there is an increased risk of invalid payments being made.

Where invoices are not paid in a timely manner there is an increased risk that suppliers may stop trading with the School and therefore the School could face difficulties obtaining the goods and services they require.

Where the authorised signatory list does not include what they are authorised to do and their authorisation limits, there is an increased risk of inappropriate transactions being entered into, since finance staff processing the items are unable to determine whether the person authorising each one is delegated to do so.

Where proper VAT invoices are not obtained and output VAT claimed on such invoices, there is an increased risk of non-compliance with HMRC regulations.

Recommendation: The Head teacher and School Business Manager should ensure that controls over the purchasing of goods and services are made more robust by implementing the following controls:

- **Purchase orders should be raised for all non-utility goods and services and approved by an authorised signatory;**
- **The certification grid stamp should be completed in full by the School Business Manager prior to the invoices being approved for payment;**
- **Supplier invoices should be approved by an authorised signatory with the approval in the form of a signature as opposed to the use of a grid stamp;**
- **Payment should only be made on the basis of a valid invoice;**
- **Segregation of duties should be maintained between the officer approving an order and the officer approving the corresponding invoice for payment;**
- **Invoices should be paid within 30 days of receipt except where there is a dispute;**
- **The list of authorised signatories should be updated to include what they are authorised to do and their authorisation limits;**
- **Proper VAT invoices should be obtained which include the following:**
 - **an invoice number,**
 - **supplier's name and address,**
 - **supplier's VAT number;**
 - **invoice date;**
 - **tax point;**
 - **customer's name and address;**
 - **description sufficient to identify the goods or services supplied to the customer;**
 - **unit price excluding VAT;**
 - **quantity of goods or the extent of services;**
 - **rate of VAT that applies to goods or services being purchased;**
 - **total amount payable excluding VAT rate of any cash discount;**
 - **total amount of VAT charged.**

See Recommendation 15 in the Action Plan.

Whilst the School has in place a credit card policy and procedures, it was however noted that the procedures do not reflect the current practice at the school. For example, the procedures state that receipts must be authorised by the Head teacher or Chair whilst in practice discussions with the School Business Manager indicated that this is not the case. The credit card is used mainly for online purchases and for buying materials required by the caretaker. Although the School Business Manager is designated as the authorised user of the credit card, he was however unable confirm whether he was required to signed a cardholder consent form.

Purchases made via the credit card are made in the same way as other purchases in terms of requisition orders being raised and authorised by the Head teacher. The School Business Manager checks the monthly statements to the supporting documents prior to entering the transactions onto SIMS. We verified that the monthly statements are reviewed by the Head teacher and signed off as evidence of review. The credit card balance is paid off entirely via direct debit each month and we confirmed that cash withdrawals are not allowed by reviewing a sample of credit card statements.

We selected a sample of 5 purchases made by credit card between June 2015 and October 2015 and noted that none of the purchases were supported by a requisition order and that one purchase was not supported by a receipt.

Risk: Where the credit card policy and procedures are not regularly updated to reflect current controls and practice there is an increased risk of inconsistent practices being followed by officers. Where purchases made via the credit card are not supported by an authorised requisition order or are not supported by a valid receipt or invoice, there is an increased risk of inappropriate or unauthorised expenditure being incurred and not being promptly identified.

Recommendation: The Head teacher and School Business Manager should ensure that the school credit card policy and procedures are regularly reviewed to reflect the current controls and practices. All credit card purchases should be supported by an approved requisition order and a valid receipt or invoice. See Recommendation 16 in Action Plan.

Area 5 - Receipt of Income and Reporting

The School's main sources of income are from school trips, music, swimming, sale of book bags and donations. We confirmed that the School has in place a Charging & Remissions Policy which was approved by the Governing Body.

Discussions' with the Council's Schools Finance Team indicated that financial returns and VAT returns are not being submitted by the school on a timely basis. More specifically at the time of the audit visit, only one FIN1 return had been submitted in the 2015/16 financial year (in August 2015).

Risk: Where the School does not submit financial and VAT returns to the Council within the prescribed timescales, there is an increased risk of the school being unable to demonstrate to the Council that it is managing its delegated budget effectively and the School's financial management arrangements may be perceived as being inadequate or weak. The late submission of VAT returns also increases the risk that its VAT reimbursements will not be promptly made thus impacting on the School's cash flow position.

Recommendation: The Head teacher and School Business Manager should ensure that all of the school's financial returns are being submitted to the Council within the prescribed deadlines. See Recommendation 17 in Action Plan.

All income (in the form of cash and cheques), is collected by the administrator or secretary with details of income received being recorded on separate spreadsheets maintained for each type of income. Our review of the spreadsheets indicated that they do not include details such as the date of receipt of income; name of officer receiving the income; date banked or paying in-slip reference number. Income is a valuable asset and thus susceptible to fraud. It is vital that appropriate controls are in place to ensure its security. The maintenance of detailed income registers helps to ensure that all income received is recorded and correctly accounted for. The school does not issue receipts for income unless requested for by parents. Financial Regulations require that "a numbered receipt is issued, or a signed record kept, for all items of income collected on behalf of the school".

Risk: *Where income registers are not sufficiently detailed, there is an increased risk that details of income collected will not be accurately recorded and thus a potential risk of misappropriation or fraud. Where pre-numbered receipts are not issued for all income collected (especially for cash), there is an increased risk of income being misappropriated and not being identified and thus of financial loss to the School.*

Recommendation: *The Head teacher and the School Business Manager should ensure that income registers are sufficiently detailed and include at least the following information:*

- *Date income received;*
- *Officer receiving payment;*
- *Amount received;*
- *Payee details;*
- *Payment method;*
- *Receipt reference;*
- *Paying in slip reference; and*
- *Date banked.*

Pre-numbered receipts should ideally be issued where practical for all monies collected on behalf of the School. See Recommendation 4 in the Action Plan.

All income collected is kept in a fire proof safe prior to being banked. We confirmed that the School has in place adequate insurance cover which covers cash of up to a value of £1,000 if kept in a safe. The banking of income is currently being undertaken by school staff and discussions with the School Business Manager indicated that the School has given consideration to the use of a security services company to undertake banking of income but it was felt that the costs of such a service was too high. Given this, no recommendation is being raised. It was noted that the income to be banked is not currently being reconciled to income records prior to banking and income is only posted on the schools accounting system (SIMS) after it has been recorded as received on the bank statement as opposed to paid to the school.

Risk: Where a reconciliation of income is not undertaken prior to banking there is an increased risk that errors or fraud will not be promptly highlighted and investigated. Where income is not recorded on SIMS on an accruals basis, there is a risk the accounts will not present a fair and accurate view of the School's financial position.

Recommendation: The Head teacher and School Business Manager should ensure that:

- ***A reconciliation of income collected to income records is undertaken prior to banking and evidence of this is maintained;***
- ***Details of all income received is recorded on SIMS when income is received rather than when it appears on the bank statement. See Recommendation 4 in the Action Plan.***

The School Administrator and the Secretary are responsible for the recording and processing of income, preparation of income for banking and banking of that income. This in our view represents inadequate segregation of duties within the income recording and banking function.

Risk: Where duties relating to income collection, recording and banking are not properly segregated, there is the increased risk of the misappropriation and/or fraud and errors occurring and remaining undetected.

Recommendation: The Head teacher should review the responsibilities of the School Administrator and Secretary to ensure that proper segregation of duties is being achieved within the income recording, processing and banking functions. See Recommendation 4 in the Action Plan.

We carried out tests on a sample of income from various sources (swimming/music/ donations/school trips) in order to establish whether income received was being properly recorded and banked intact. Due to the lack of a proper audit trail we are unable to provide assurances that all income received by the school was properly recorded and banked intact for the sample of transactions tested. One of the reasons for this is due to failure to include sufficient information on the income registers (specifically payment method, paying in slip reference and date banked).

Risk: Where there is an inadequate audit trail, there is an increased risk of misappropriation of income resulting in financial loss to the School.

Recommendation: The Head teacher and School Business Manager should ensure that a proper audit trail is in place for all income streams. See Recommendation 4 in Action Plan.

In addition to the income streams indicated above, we are unable to provide any assurances regarding the accuracy and completeness of income posted on the School's accounting system. This was mainly because of the way in which postings were made on SIMS with our tests indicating that some postings were made against the wrong ledger code.

Risk: Where income received is not posted against the correct ledger code, there is an increased risk that the school financial statements will not reflect an accurate record of income under the relevant budget heads. There is thus a further risk of future budgets being set on the basis of inaccurate information.

Recommendation: The School Business Manager should ensure that all income is posted to the correct ledger code. See Recommendation 4 in Action Plan.

School Meals

The School currently only provides meals to pupils in receipt of free school meals with the meals being provided through a contract with the London Borough of Barnet with all other pupils being required to bring in a packed lunch. As a result of the introduction of Universal Free School Meals, all pupils up to Year 2 now receive free school meals. Our review indicated that there were no pupils in classes above Year 2 in receipt of free school meals, even though some may be entitled to do so.

The London Borough of Barnet invoices the School on a monthly basis and provides details of the number of meals provided for pupils in the relevant month. Whilst we were given assurances that the School Business Manager undertakes a reconciliation to agree the number of meals indicated on the invoices to the school

records, we were unable to verify this assertion as no such records are maintained. Rather the School Business Manager appears to base the calculations on the number of pupils entitled to free school meals times the number of attendance days each month. We identified some inaccuracies between the number of meals as calculated by the School Business Manager and the number of meals indicated on the supplier's invoices. There was no evidence of these differences being investigated.

Risk: Where a record is not maintained of free school meals provided to pupils at the school and where differences between the record of meals maintained by the school and information on the supplier's invoices are not investigated, there is an increased risk that the School may be charged for meals not provided thus resulting in financial loss to the school.

Recommendation: The Head teacher and School Business Manager should ensure that a record of free school meals provided to pupils on a daily basis is maintained. Where there are differences between the number of meals indicated on the supplier's invoices and the records maintained by the school, these should be investigated and the supplier required to amend their invoices (where the error is the supplier's) prior to the payments being made. See Recommendation 18 in Action Plan.

School Trips

Whilst the School has in place an Educational Visits Policy, it was noted however that the policy has not been reviewed since 2012. Whilst we were given assurances by the School Business Manager that risk assessments are completed prior to school trips and that all trips are approved by the Head teacher, we were unable to confirm these assertions due to a lack of documentary evidence. For a sample of two trips undertaken in 2015/16 financial year, we confirmed that end of journey statements were completed for both trips.

Risk: Where the Educational Visits Policy is not reviewed on a regular basis there is an increased risk that processes that are in practice or adopted may not be effective or efficient. Where evidence of risk assessments and approval of school trips is not maintained, there is an increased risk of the School being unable to demonstrate that school trips are risk assessed and appropriately approved.

Risk: The Head teacher should ensure that the School's Educational Visits Policy is regularly reviewed and updated. The Head teacher should ensure that all approved risk assessments for school trips are properly retained. See Recommendation 19 in Action Plan.

The School has five bank accounts with Lloyds (two budget share accounts, one Unofficial fund account, one Capital account and one Governors account for holding voluntary contributions from Governors). The School Business Manager was only able to provide Internal Audit with a copy of the bank mandate for one of the bank accounts (i.e. one of the budget share accounts). Discussions with the School Business Manager indicated that the signatories to all bank accounts (apart from the Governors account) are the same as the budget share account. Following our review of the only available mandate, it was noted that the School Business Manager is one of the authorised cheque signatories for the School's budget share bank account. It is our view that this is not an appropriate arrangements given his role in processing financial transactions including payments and that this represents inadequate segregation of duties.

Risk: Where the School does not retain copies of the bank mandates there is an increased risk of the School being unable to demonstrate that the officers authorised to approve transactions including cheques are appropriate and were approved to do so by the governing body. There is a further risk that the bank mandate may not be up to date and reflect the School's current staffing structure and that inappropriate authorisations may be given which could result in financial loss to the School. Where there is inadequate segregation within the finance function there is an increased risk that fraud of misappropriation will occur and remain undetected.

Recommendation: The Head teacher should ensure that copies of bank mandates are retained at the School. The School Business Manager should be removed from the list of approved cheque signatories without delay. See Recommendation 13 in Action Plan.

We were concerned to note that none of the school's bank accounts are currently being reconciled monthly and in accordance with Financial Regulations. The two main budget share accounts were only reconciled in November 2015 with the reconciliations for the months of September to November 2015 being carried out at the same time. The Unofficial Fund account and the Capital account are reconciled on an ad-hoc basis and

the Governors account is not reconciled at all. The bank reconciliation is an important financial control that provides a considerable amount of audit evidence concerning the completeness and accuracy of the accounts as a whole. Completing bank reconciliations on a monthly basis helps to ensure that any inaccuracies or variances in the financial information held by the School are identified in a timely manner, and any discrepancies are confirmed as being purely due to timing differences.

Risk: Where the school's bank accounts are not being reconciled monthly or on a timely basis there is an increased risk that any errors or omissions may not be promptly identified potentially resulting in a mis-statement of the accounts, or resulting in excessive levels of resources needing to be applied to resolving variances at a later time or as part of the close down of the accounts at year-end. There is also an increased potential for errors and fraud to occur where account balances are not being reconciled on a timely basis. The failure to undertake monthly and timely bank reconciliations can also result in inaccurate cashbook balances not being detected, and may have contributed to erroneous cash flow and budgetary information. In addition, bank errors, (although rare) may go undetected if bank reconciliations are not performed on a timely basis.

Recommendation: The Head teacher and School Business Manager should ensure that all of the school's bank accounts are being reconciled monthly and on a timely basis. The Head teacher should review and sign off all bank reconciliations as evidence of review. See Recommendation 5 in Action Plan.

In addition to the above, we reviewed a sample of bank reconciliations and our findings are as follows:

Bank Account	Test results
Budget Share Accounts (Main and Business Accounts)	We reviewed a sample of 3 months bank reconciliations (August to October 2015) and had the following concerns: <ul style="list-style-type: none"> • None of the reconciliations were undertaken on a timely basis; • None were correctly undertaken; • None of the reconciliations were supported by a balances and reserves report;

	<ul style="list-style-type: none"> • The list of unreconciled items included as part of the reconciliations included transactions relating to later periods (e.g. the October 2015 reconciliation included November 2015 transactions); • All 3 reconciliations included transactions dating back to 2014; • We found no evidence of any actions being undertaken to investigate reasons for the non-clearance of these long outstanding items; • All 3 reconciliations included transactions relating to donations from governors (one transaction dating back to April 2015). We were unable to determine whether these were due to errors made in the initial postings or whether they were yet to be cleared. • The reconciliations included a number of general ledger transactions which appear to be mis-postings; <p>Discussions with the School Business Manager indicated that there are issues with removing these items from SIMS and that assistance will be requested from Schools Finance Team.</p>
Capital Account	Only one reconciliation (in September 2015) had been undertaken so far during the 2015/16 financial year and there was no evidence that it had been reviewed by the Head teacher.
Unofficial Fund Account	Only one reconciliation (September 2015) had been undertaken so far in the 2015/16 financial year and there was no evidence that it had been reviewed by the Head teacher.
Governors Account	Whilst the School Business Manager receives bank statements for this account, it is understood that he has no involvement in the transactions that are processed through the account including having no knowledge of the signatories to the account.

Risk: Where there is insufficient documentary evidence to support the monthly bank reconciliation, there is an increased risk that the School will be unable to demonstrate that reconciliations are being properly carried out.

Where bank reconciliations are not correctly undertaken there is an increased risk that the fraud or errors may occur and may not be promptly identified and appropriate action taken.

Where long standing unreconciled transactions are not investigated and cleared on a regular basis, there is an increased risk that any errors or anomalies will not be promptly identified. Where the general ledger transactions currently included in the unreconciled items listing are not reversed there is an increased risk of the bank reconciliation remaining incorrect and thus of the School's accounts being incorrect.

Recommendations: All bank reconciliations should be properly and correctly undertaken and the relevant documentary evidence (such as balances and reserves report) should be printed off the School's accounting system and attached to the reconciliation.

The bank reconciliation should compare the bank balance and the cashbook balance at the date of the reconciliation – all differences identified should be checked to ensure that they relate to genuine timing differences rather than to error. Only outstanding receipts or unpresented cheques as at the reconciliation date should form part of the reconciliation.

The School should seek the assistance from the School's Finance Team in order to correct the recurring errors in the School's budget share bank account reconciliations without delay.

The reasons for any long outstanding unreconciled transactions should be promptly investigated and appropriate action taken to clear them. The School Business Manager should liaise with the Council's School's Finance Team in order to correct the general ledger transactions that are currently included in the unreconciled items listing. See Recommendation 5 in the Action Plan.

Area 6 - Payroll and Personnel Procedure

We were unable to establish the existence of a formal staffing structure and therefore could not determine whether there had been any recent reviews of the staffing structure. The SFVS advises that the regular review of the staffing structure gives the head teacher and governing body the opportunity to consider how they are making the most of the skills and talents of their staff, how the curriculum can be delivered, how the needs of the pupils can be met and how best value is secured for the school.

Risk: Where the School does not have a formal staff structure in place and where it is not subject to regular review, there is an increased risk that proper consideration will not be given to how best to deliver the curriculum and meet the needs of the pupils at the school.

Recommendation: The governing body should ensure that a formal staffing structure is put in place and available for scrutiny as soon as possible. The staffing structure should be reviewed on a regular basis to take into account changing roll, curriculum or budgets. See Recommendation 20 in Action Plan.

Whilst we were given assurances that the Pay Policy had been reviewed by governors, at the time of the audit, it had yet to be updated to include the changes proposed by governors and updates arising from the 2015 STPCD.

Risk: Where the pay policy is not updated to take account of the changes arising from the most up to date STPCD, there is an increased risk that the policy may not reflect changes in statutory requirements and thus may be out of date. There is thus an increased risk of non-compliance with statutory requirements.

Recommendation: The Governing Body and Head teacher should ensure that the School's Pay Policy is promptly updated. Once updated the policy should be approved by the relevant committee. See Recommendation 21 in Action Plan.

The Council's School's Finance Team have confirmed that Torah Temimah Primary is Group 2. We confirmed that the current ISR for the Head teacher group is set at L15-L21 which falls within the ranges of a Group 2 school. We confirmed that the Head teacher's current pay spine is L19 which is within the relevant pay scales for a group 2 school.

Our review indicates that the Head of Religious Studies at the School (the Principal) is currently paid on the Leadership pay scale (Scale L17). We confirmed through discussions with the School Business Manager that Head of Religious Studies is not a qualified teacher or a member of the leadership group as defined in the

School Teachers' Pay and Condition Document (STPCD). The STPCD stipulates that “*member of the leadership group*” means a head teacher, a deputy head teacher or an assistant head teacher’. There is no provision in the STPCD for making leadership pay to staff who are not a Head teacher, Deputy Head teacher, or Assistant Head teacher. A recommendation regarding this matter was raised in our previous audit report and re-iterated in the follow up audit. The School agreed to seek guidance from the Council’s School’s HR Team and has only recently done so (i.e. in November 2015). It is understood that the Council’s HR Team has advised that governors to consider having a separate contract (outside of the STPCD) for the Head of Religious Studies.

Risk: Where a member of staff who is not a qualified teacher or a member of the leadership group is paid on a Leadership Payscale, the School is not complying with the requirements of the STPCD.

Recommendation: The Governing Body should ensure that the School is complying with the requirements of the STPCD in respect of leadership pay. Consideration should be given to the advice provided by the Council’s HR Team and a decision should be taken without further delay so that this matter can be resolved once and for all. See Recommendation 6 in Action Plan.

Non-teaching staff are currently not paid under NJC Terms & Conditions and neither is their pay structure included within the School’s current pay policy. Discussions with the School Business Manager confirmed that the level of salary for each post and any subsequent pay increases are set by the Governing Body. It is also understood that non-teaching staff do not currently have employment contracts. Both of these issues were recommendation in the previous audit and re-iterated in the follow up audit where the School agreed to pay non-teaching staff in accordance with NJC Terms & Conditions, complete job evaluations for each post and put in place employment contracts. Discussions with the Principal indicated that advice has been sought from the Council’s Schools HR and job evaluations have been completed for all non-teaching staff and that a draft employment contract has been developed which is in the process of being amended following additional comments from School’s HR Team. Following this, employment contracts will be formulated for all non-teaching staff and all non-teaching staff will be paid in accordance with NJC Terms & Conditions. It is a legal requirement for an employer to give their employees a ‘Written Statement of Employment’ if they are to be working for them for at least one month. This should be given to the employee within the first two months of the start of their employment.

Risk: *Where non-teaching staff do not have a documented pay structure there is an increased risk that the pay conditions for non-teaching staff are not consistent across the School or in line with the post holder's respective roles and responsibilities. There is a further risk that the School may be perceived as not being transparent in its dealings with staff.*

Where a formal employment contract for non-teaching staff is not in place, there is an increased risk that the terms of employment have not been fully understood and agreed between both parties. Failing to provide a written contract of employment results in a lack of clarity since neither party knows the precise extent of their respective rights, duties and obligation.

Recommendation: *The Governing Body should expedite the implementation of pay structure for non-teaching staff and the development of employment contracts. See Recommendation 7 in Action Plan.*

We reviewed the salaries of a sample of top earners at the school (teachers and administration staff) and noted no exceptions in the accuracy of payments made to them.

We confirmed through discussions with the School Business Manager that only teaching staff are automatically enrolled on to the Teacher's Pension scheme unless they indicate that they would like to opt-out. It is understood that the staging date for auto-enrolment for the School has been set for February 2017 after which all non-teaching staff will be eligible to join the pension scheme. We confirmed the accuracy of the assertion about the staging date with the Council's Pensions Team. Given the explanation, we have not raised are not raising a recommendation regarding auto-enrolment onto the pension scheme.

We verified through a review of a sample of payroll statements that that all teaching staff have joined the pension scheme (i.e. evidence of employee and employer pension contributions for all teaching staff was noted).

Of a sample of eight additional payments made to staff for overtime between April 2015 and October 2015 the following was noted:

- Whilst claim forms had been completed for all of the payments, only one of the claim forms was authorised by the Head teacher with a signature endorsement;

- For 3/8 payments the authorisation of the claim forms by the Head teacher was via use of a certification stamp;
- 4/8 claim forms were not authorised;
- 2/8 claim forms were not completed in full (one did not include details of additional duties undertaken and one did not include the total additional hours worked).

Risk: Where the Head teacher uses a grid stamp to approve overtime claim forms (or any documents which require approval) there is an increased risk that such a stamp could be open to misuse and thus that transactions may be inappropriately approved and are not identified. Where overtime claims forms are not appropriately approved there is an increased risk that invalid or inaccurate payments are made which could result in financial loss to the School. Where overtime claim forms are not completed in full, there is an increased risk of incorrect payments being made.

Recommendation: The Head teacher should ensure that overtime claim forms are appropriately approved with the approval in the form of a proper signature as opposed to a grid stamp. Staff should be reminded of the need to ensure that overtime claim forms are completed in full prior to submission. Where claim forms are not completed in full, they should be returned to the relevant person and not processed until properly completed. See Recommendation 22 in the Action Plan.

Whilst we were given assurance that the School has in place a contract with Cohen Arnold for the administration of its Payroll services, it was noted that the contract provided was addressed to AHTT Limited as opposed to the School. It was also noted that the address indicated on the contract was not that of the School. However payments are being made to the Payroll Administrator through the school's budget share account. It was further noted that two of the School's governors are partners of the company and we confirmed that they were not involved in any decisions relating to the letting of the contract and had both declared their interests as required.

Risk: Where there is a contract in place which is not addressed to the school, there is an increased risk of the contract being invalid and that the terms of the contract may not be enforceable.

Recommendation: The Head teacher should ensure that all contracts are in the name of the School. See Recommendation 23 in Action Plan.

It was noted that the School has not provided payroll administrator with a list of authorised signatories in respect of payroll transactions / matters.

Risk: Where the payroll administrator has not been provided with a list of authorised signatories in respect of payroll transactions / matters there is an increased risk of unauthorised amendments being made to the payroll and of these not being promptly identified.

Recommendation: The Head teacher should ensure that the payroll administrator is sent a list of authorised signatories in respect of payroll transactions /matters. See Recommendation 30 in Action Plan.

The Payroll Administrator sends a draft report to the School Business Manager to be checked for accuracy and completeness prior to the processing of the monthly payroll. Where there are discrepancies or errors these will be discussed over the phone or by e-mail with the administrator. Where adjustments to the draft payroll report are required, it is understood that there will be continuous liaison between both parties until the necessary adjustments have been made. Once the required adjustments have been made, the payroll run is approved by the Head teacher via e-mail prior to the payroll being processed. We reviewed the payroll runs between April 2015 and October 2015 and noted that for two months (August and September) there was no evidence of the payroll runs having been approved by the Head teacher. Discussions with the School Business Manager indicated that this may be due to the e-mail approval not being retained. Given that this was for only 2 of the 7 months, we have not raised a specific recommendation regarding this matter. However all email correspondence in respect of the payroll should be retained.

Of a sample of seven months payroll statements reviewed there was no evidence of three reports having been checked by the Head teacher (two payroll reports for teachers and one for teaching assistants). Discussions with the School Business Manager indicated that that this may be due to the e-mail evidence not being retained.

Risk: Where evidence is not retained of the final payroll reports having been reviewed by the Head teacher, there is an increased risk of the School being unable to demonstrate that the payments made to staff have been checked for accuracy and validity.

Recommendation: The School Business Manager should ensure that evidence of the final payroll reports having been reviewed by the Head teacher is retained. See Recommendation 9 in Action Plan.

Our review indicated that the payroll costs of teaching assistants employed by the school are not currently being processed directly by the school. We have a number of concerns about the current arrangements as follows:

- The payroll is currently processed and paid through the Governor's bank account and payments are then reimbursed to this account through the school's budget share account;
- We were unable to establish the arrangements for the processing and payment of the statutory deductions (i.e. tax and national insurance contributions) for teaching assistants and thus whether such deductions are being made as and when they should and paid over to the HMRC as required. The School Business Management appears to have no oversight and is unaware of the arrangements in place;
- The expenditure in respect of teaching assistant's salaries our in our view is not being properly processed and accounted for on SIMS. Discussions with the School Business Manager indicated that for a number of months during 2015/16 (May, June, August and September 2015) it was agreed by governors that rather than the Governor's account being reimbursed for payments made on behalf of the School for the salaries of teaching assistants, that these should be treated as donations from governors. It was noted however that the salary costs were only being posted on SIMS where the governor's account was reimbursed. The effect of this is that the salary costs and donations are being understated in the School's accounts.

Risk: Where the School fails to account correctly for expenditure in respect of the teaching assistants salaries and income from donations, there is an increased risk of the school's accounts not representing a true and fair view of its financial transactions and thus of the financial statements being materially misstated. Where PAYE and national insurance deductions are not paid to HMRC as required and on a timely basis, there is an increased risk of financial loss to the School due to

penalties/fines being imposed by HM Revenue & Customs in addition to the liability for any tax or national insurance contributions not paid.

Recommendation: The Governing Body and the Head teacher should:

- **Ensure that the salaries of teaching assistants be processed directly through the school's budget share account as is the case with other staff salaries. The current arrangements of being paid through the governor's account and reimbursed through the budget share should cease immediately;**
- **Confirm that the appropriate statutory deductions (Tax and National Insurance contributions) were made and paid over to the relevant authorities during the period in which these arrangements have been in place. Once confirmation has been obtained, the School should provide the required evidence to Internal Audit.**
- **That expenditure in respect of teaching assistant's salaries and the corresponding income from donations are correctly posted and accounted for on SIMS (i.e.. the payroll costs should be paid for from the budget share account and posted to SIMS with governor's contributions being shown as donations). More specifically, the transactions relating to the current financial year should be corrected with adjustments made as indicated in the previous paragraph. Recommendation 8 in the Action Plan.**

Discussions with the School Business Manager indicated that teachers and administration staff salaries are paid via direct debit to the payroll administrator and that payroll costs are posted onto SIMS on a monthly basis. We reviewed the payroll statements for teachers/administration staff from April to October 2015 and confirmed that payroll data had been correctly posted onto SIMS. It was however noted that the postings were not always made on a timely basis with the data being posted some two months later. Discussions with the School Business Manager indicated that the delay was due to resource constraints.

With regards to teaching assistants payroll costs as previously indicated above, reimbursements from the budget share account were made to the governor's account only in respect of April, July and October 2015 salaries and thus only these costs were posted on SIMS (please see previous section for details). In addition, our review of the postings made on SIMS for teaching assistants indicated a number of errors in the total payroll costs posted in respect of July and October 2015 (errors were also noted in May, June, Aug and

September also although payroll costs for these months were not posted on SIMS). It was further noted that some costs (payments to builders; staff lunch paid by governors etc.) were being deducted from payroll costs in respect of teaching assistants when they should have been treated and posted as separate transactions. The effect of these adjustments resulted in total payroll costs for teaching assistants being mis-stated.

Risk: Where payroll costs are not promptly or accurately posted to the SIMS system, there is the increased risk of inaccuracies in the school's accounting records. There is a further risk that budget monitoring information provided to the Finance Committee and the governing body will be inaccurate and thus that decisions may be made on the basis of inaccurate financial information.

Recommendation:

- ***The Head teacher and School Business Manager should ensure that payroll costs are being correctly and promptly posted to the SIMS system (this should be done monthly);***
- ***No adjustments / deductions should be made to the payroll costs for teaching assistants except where are directly related to those costs. Any adjustments required should be processed by through journals to ensure a proper audit trail. See Recommendation 9 in Action Plan.***

For teachers and administration staff, we confirmed that National Insurance and tax deductions are being paid to HMRC via faster payments by the School on a monthly basis. We also confirmed that pension contributions are paid to the pension authority on a monthly basis by the School via direct debit. For teaching assistants, it is understood that the governors are responsible for making National Insurance and tax deductions to HMRC. We were thus unable to provide any assurances that National Insurance and tax deductions were made to HMRC for teaching assistants. ***Please see Recommendation 8 above.***

Of a sample of 4 new starters tested, we identified the following exceptions:

- 3/4 personnel files did not include a letter of appointment;
- 3/4 personnel files did not include a signed letter of acceptance from the employee;
- None of the personnel files included a signed contract of employment; and
- 3/4 personnel files did not include evidence of at least two references having been obtained.

Risk: Where the School does not obtain the necessary documentation pertaining to new employees or where personnel files do not include all relevant employment information there is a potential risk that in the case of a dispute the School will be unable to provide the relevant information.

Where at least two references are not obtained for employees, there an increased risk of inappropriate staff being employed thus resulting in reputational damage and possible financial loss to the School.

Recommendation: The School should retain adequate documentary evidence of the recruitment and appointment process including the following:

- **Letter of appointment;**
- **Signed letter of acceptance from the potential employee;**
- **Signed contracts of employment;**
- **Evidence of two references having been obtained.**

See Recommendation 24 in the Action Plan.

For a sample of 3 leavers, we confirmed that the payroll provider was notified of the leaver on a timely basis and that no payments were made to them following their termination dates.

Following our review of the payments summary report, it was noted that payments were made to one named individual by the School without the appropriate statutory deductions (PAYE & NIC) being made during 2015/16 financial year to date. Discussions with the School Business Manger indicated that an Employment Status Questionnaire was not completed for this individual as the individual had stated on the invoice that he was self-employed and had quoted his tax reference number. Nevertheless an Employment Status Questionnaire should have been completed for this individual.

Risk: Where the School does not take appropriate steps to determine the employment status of individuals prior to payments being made to them without the appropriate statutory deductions, there is an increased risk of financial loss to the School due to penalties/fines being imposed by HM

Revenue & Customs in addition to the liability for any tax or national insurance contributions not deducted at source.

Recommendation: Adequate steps should be taken to verify the employment status of individuals prior to payment being made to them without the deduction of tax and other statutory deductions. The completion of a self-employment status questionnaire would help to facilitate this process. See Recommendation 12 in the Action Plan.

Area 7 - Unofficial Fund

The School has an Unofficial Fund account which is used for processing transactions in respect of Jewish Studies and is administered by the School Business Manager. It was noted that the aims and objectives of the School's Unofficial Fund and the levels of delegated authority had not been formally determined or agreed by the Governing Body. We were unable to confirm the cheque signatories to the account as the school was unable to provide a copy of the bank mandate. Discussions with the School Business Manager indicated that the signatories for this account are the same as the main account, i.e.: the Head teacher, Principal and the School Business Manager. ***A recommendation in relation to the bank mandate and account signatories has already been raised in Area 5 (Recommendation 13).***

Discussions with the School Business Manager indicated that the Unofficial Fund bank account is reconciled on an ad-hoc basis and that the reconciliations are reviewed by the Head teacher. Our review indicated that for 2015/16 financial year, only one reconciliation had been undertaken in September 2015 and there was no evidence of this reconciliation being reviewed by the Head teacher. ***A recommendation in relation to bank reconciliations has been raised in Area 5 (Recommendation 5).***

Whilst the Unofficial Fund account for 2014/15 has been audited by a registered auditor, the report has yet to be presented to the Finance Committee or governing body. The School Business Manager was unable to provide us with a copy of the audited accounts. Under Charity Commission guidelines the accounts of a school's voluntary funds should be made available on demand to interested parties, for example staff or parents. Also, the school should make the accounts and audit available to the governing body.

Risk: *Where the Governing Body have not formally determined and approved the aims and objectives of the Unofficial Fund, there is an increased risk that funds are not being raised and used for purpose for which they were intended. Where the levels of delegated authority for the Fund are not set, there is an increased risk that staff may undertake tasks and make decisions beyond their authorised remits. Where the audited accounts are not available at the School, there is an increased risk of these not being available for public scrutiny. Where the audited accounts are not presented to the governing body there is an increased risk that the governing body will be unable to fulfil its oversight responsibilities with regards to such funds and that they will not be provided with independent assurances regarding the viability of the accounts.*

Recommendation: *The Governing body should determine and formally approve the aims and objectives of the Unofficial Fund, and also set the levels of delegated authority for the Fund. The Head teacher should obtain a copy of the audited accounts and they should be presented to the Governing Body without delay. See Recommendation 25 in Action Plan.*

Area 8 – Assets

We confirmed that the School maintains a register of all its assets including IT equipment with the School Business Manager being responsible for the maintenance of the register. The School's Financial Policies and Procedures document indicates that assets of over £500 in value are recorded on the registers. However discussions with the School Business Manager indicated that in practice assets of over £100 in value and any "attractive" items below this amount are recorded on the registers. A recommendation regarding the updating of procedures to be in line with current practices has been raised in Area 4 (**Recommendation 14**).

We confirmed that all of the key information with regards to the assets held is recorded on the register including disposal details and that all assets are security marked. Discussions with the School Business Manager indicated that a physical check of assets against the register is undertaken on an annual basis by the Caretaker and himself with the register being signed off and dated as evidence of the check. We confirmed that the most recent physical check of assets against the register was undertaken in November 2015. It was however noted that a sample of assets were checked rather than all of the assets.

Risk: Where a check is not made on all assets against the asset register, there is an increased risk that assets may be misappropriated and remain undetected.

Recommendation: The School Business Manager should ensure that all assets are checked against the asset register. See Recommendation 31 in Action Plan.

Area 9 – Petty Cash and Reimbursement of Expenses

The school maintains a petty cash float of £200 with the Financial Policies and Procedures document indicating that a limit of £10 has been set for the reimbursement of expenses via petty cash.

Our review indicated that the petty cash account is not being maintained on an imprest basis and that the amount that the float is topped up with a sum of £200 each time it is replenished. Maintaining the petty cash account on an imprest basis means that the amount of petty cash account should remain constant i.e. the amount of cash plus petty cash vouchers/receipts should equal the amount of the authorised petty cash limit.

Risk: Where the petty cash account is not maintained on an imprest basis, there is an increased risk of fraud or errors occurring and not being identified.

Recommendation. The Head teacher and School Business Manager should ensure that the petty cash account is maintained on an imprest basis. See Recommendation 26 in Action Plan.

Discussions with the School Business Manager indicated that the petty cash account is reconciled on a quarterly basis rather than on a monthly basis. This does not comply with Financial Regulations which requires the petty cash account to be reconciled monthly. We reviewed the last three petty cash reconciliations and noted that for two of the reconciliations there was no evidence of the reconciliations having been reviewed by the Head teacher. For the remaining one of the sample a certification grid stamp has been used to endorse the reconciliation as evidence of the review. We have previously raised concerns about the use of a grid stamp by the head teacher to indicate approvals of transactions etc. as well as the potential risks

of doing so. Our concerns are therefore also relevant here (**See Recommendation 15**). It was also noted that one the reconciliations did not include evidence of a cash count having been completed.

Risk: Where petty cash reconciliations are not undertaken on a monthly basis and are not reviewed by the Head teacher and where there is no evidence of a cash count having been completed, there is an increased risk that variances, errors, losses or misappropriations may occur and not be promptly identified or investigated.

Recommendation: The Head teacher and the School Business Manager should ensure:

- **That the petty cash account is reconciled monthly;**
- **That the monthly reconciliations are reviewed by a senior officer and signed off as evidence of the review;**
- **That evidence of cash counts having been completed is maintained.**

See Recommendation 26 in Action Plan.

The School uses petty cash vouchers for the reimbursement and recording of petty cash expenses. For a sample of 10 petty cash expenses tested (5 reimbursed by cash and 5 by cheque), the following exceptions were noted:

- 4/10 expenses were not supported by a petty cash voucher;
- 3/10 expenses were not authorised by the Head teacher.
- Where expenses were authorised, in 4 instances the approval of the expense was via use of a grid stamp;
- 1/10 expenses was not supported by a valid receipt;
- 1/10 expenses was not supported by a VAT receipt.
- None of the 5 petty cash vouchers were signed by the recipient to confirm receipt of the reimbursement.

Risk: Where internal controls over expense claims are not sufficiently robust there is an increased risk of inappropriate expenditure being incurred. Where petty cash expenses are not supported by a completed voucher, a valid receipt or approved by an authorised signatory, there is an increased risk

	<p><i>of non bona fide, unauthorised or fraudulent expenditure being incurred. Where the officer being reimbursed does not sign for the reimbursement there is an increased risk of fraud.</i></p> <p><i>Recommendation: Controls over the reimbursement of expenses should be made more robust by ensuring that the following procedures are in place:</i></p> <ul style="list-style-type: none"> • <i>All claims should be supported by a petty cash voucher;</i> • <i>All claim forms should be approved by the Headteacher or other approved signatory with the approval in the form of a signature;</i> • <i>All claims should be supported by a valid VAT receipt where appropriate (otherwise output VAT should not be reclaimed); and</i> • <i>The person receiving the reimbursement should be required to sign the voucher as evidence of receipt of the reimbursement. See Recommendation 26 in Action Plan.</i>
Acknowledgement	<p>We would like to thank the management and staff of Torah Temimah Primary School for their time and co-operation during the course of our work.</p> <p>All staff consulted are included at Appendix C.</p>

Statement of Responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below.

The matters raised in this report are only those which came to our attention during the course of our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of internal audit work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Auditors, in conducting their work, are required to have regards to the possibility of fraud or irregularities. 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 as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our audit work and to ensure the authenticity of these documents. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system. The assurance level awarded in our internal audit report is not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards

Appendix A – Objective and Scope

Internal Audit Objective and Scope

The objective of our work was to determine the following the extent to which the Centre have implemented adequate and effective controls over key financial and administrative functions, together with the extent of their compliance with the Council’s Financial Regulations for Schools.

The areas focused upon were as follows:

- Governance
- School Development Plan, Ofsted and Internal Audit
- Budget Setting and Budget Management
- Procurement
- Receipt of Income and Reporting
- Payroll and Personnel Procedures
- Unofficial Funds
- Assets
- Petty Cash

Appendix B – Definition of Audit Opinion, Direction of Travel, and Recommendation Priorities.

Audit Opinions

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

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

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

Direction of Travel

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

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

Recommendation Priorities

Priority 1	Major issues for the attention of governing body and the audit committee.
Priority 2	Important issues to be addressed by the Headteacher in their areas of responsibility.
Priority 3	Minor issues resolved on site with relevant officers.

Appendix C – Audit Team & Staff Consulted

AUDIT TEAM	STAFF CONSULTED
Steve Tinkler – Head of Audit & Investigations	
Aina Uduehi – Audit Manager	
Kanta Patel – Auditor	
Contact Details: Aina .Uduehi@brent.gov.uk Ext 1495	

Page 79

Appendix D – Assessment Timetable

	DATES

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 <p>Brent</p>	<p>Audit Committee 22 September 2016</p> <p>Report of the Chief Finance Officer</p>
<p>Wards affected: ALL</p>	
<p>Statement of Accounts 2015/16 and External Auditor's Report</p>	

1 Summary

- 1.1 The Audit Committee has responsibility for considering issues raised by the external auditors as part of the process of approving the annual statement of accounts. The basis for this consideration is the “report to those charged with governance” also referred to as the ISA260 report. The Council’s external auditors, KPMG, produce the report following completion of the audit of accounts. The report is intended to identify any changes to the accounts, unadjusted mis-statements or material weaknesses in controls identified during the audit work. It also provides the findings from the value for money conclusion for the year.
- 1.2 At the time of writing this report KPMG are in the process of completing the audit of the 2015/16 accounts and their report to those charged with governance (ISA260 report), reflecting the current position, is attached as Appendix 1 to this report. Based on the current position KPMG intends to give unqualified opinions on the Council and Pension Fund accounts and a clear value for money conclusion.
- 1.3 Representatives from KPMG will attend the meeting to provide an update on the audit and respond to any matters raised by the Committee.

2 Recommendations

The Committee is asked to:

- 2.1 Review the report to those charged with Governance from KPMG and:
 - consider the key issues and recommendations
 - consider the corrected audit differences

- approve the statement of accounts
- approve the letter of representation to KPMG

3 Detail

Statement of Accounts

- 3.1 The draft statement of accounts for 2015/16 was presented to the Committee at its meeting on 30 June 2016. The audit of the accounts commenced in July.
- 3.2 The attached ISA260 report sets out the anticipated results of the audit with the key points being:
- Unqualified audit opinion
 - Positive feedback on the accounts production and audit process
 - the Authority has made proper arrangements to secure economy,
 - efficiency and effectiveness in its use of resources

As a result of the audit a number of adjustments to the accounts have been agreed by council officers and KPMG. These are shown in section three of the auditors report. Although significant in value they do not have any impact on the council's general fund or HRA position. As a result of these adjustments earmarked reserves have reduced and the Council's unusable reserves have increased. The council expects that the change in earmarked reserves is a timing issue, and over the medium term reducing the Minimum Revenue Payment will have the same effect on earmarked reserves as the accounting treatment in the unaudited accounts.

Publication of Statement of Accounts

- 3.3 The Council is required to publish the 2015/16 accounts by 30 September 2016. Once approved, the statement of accounts will be published on the Council's website.
- 3.4 Once the audit has been completed a Letter of Representation needs to be signed prior to KPMG issuing an audit opinion. A draft letter, setting out confirmation from the Council regarding the financial statements and information provided as part of the audit process, is attached as Appendix 2

4 Financial Implications

- 4.1 There have been some adjustments to the Statement of Accounts during the course of the audit. None of these have impacted on the medium term financial position of the Council.

5 Legal Implications

- 5.1 No specific implications.

6 Diversity Implications

6.1 No specific implications

7 Staffing Implications

7.1 No specific implications.

8 Background Papers

Accounts and Audit Regulations 2011

Draft Accounts to Audit Committee – 30 June 2016

Contact Officer

Conrad Hall, Chief Finance Officer

conrad.hall@brent.gov.uk

CONRAD HALL

Chief Finance Officer

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(LB Brent Letterhead)

Phil Johnstone
KPMG LLP
15 Canada Square
London
E14 5GL

22 September 2016

Dear Phil

This representation letter is provided in connection with your audit of the financial statements of London Borough of Brent (“the Authority”), for the year ended 31 March 2016, for the purpose of expressing an opinion:

- i. as to whether these financial statements give a true and fair view of the financial position of the Authority and the Group as at 31 March 2016 and of the Authority’s and the Group’s expenditure and income for the year then ended;
- ii. whether the Pension Fund financial statements give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2016 and the amount and disposition of the Fund’s assets and liabilities as at 31 March 2016, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- iii. whether the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

These financial statements comprise the Authority and Group Movement in Reserves Statements, the Authority and Group Comprehensive Income and Expenditure Statements, the Authority and Group Balance Sheets, the Authority and Group Cash Flow Statements, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the Collection Fund and the related notes. The Pension Fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes.

The Authority confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Authority confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

Financial statements

1. The Authority has fulfilled its responsibilities, as set out in the Accounts and Audit Regulations 2015, for the preparation of financial statements that:
 - i. give a true and fair view of the financial position of the Authority and the Group as at 31 March 2016 and of the Authority’s and the Group’s expenditure and income for the year then ended;

- ii. give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2016 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2016, other than liabilities to pay pensions and other benefits after the end of the scheme year;
- iii. have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Authority in making accounting estimates, including those measured at fair value, are reasonable.
3. All events subsequent to the date of the financial statements and for which IAS 10 *Events after the reporting period* requires adjustment or disclosure have been adjusted or disclosed.

Information provided

4. The Authority has provided you with:
 - access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
 - additional information that you have requested from the Authority for the purpose of the audit; and
 - unrestricted access to persons within the Authority and the Group from whom you determined it necessary to obtain audit evidence.
5. All transactions have been recorded in the accounting records and are reflected in the financial statements.
6. The Authority confirms the following:
 - i) The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

- ii) The Authority has disclosed to you all information in relation to:
 - a) Fraud or suspected fraud that it is aware of and that affects the Authority and the Group and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements; and
 - b) allegations of fraud, or suspected fraud, affecting the Authority's and Group's financial statements communicated by employees, former employees, analysts, regulators or others.

In respect of the above, the Authority acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Authority acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

7. The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
8. The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
9. The Authority has disclosed to you the identity of the Authority's and the Group's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures*.
10. The Authority confirms that:
 - a) The financial statements disclose all of the key risk factors, assumptions made and uncertainties surrounding the Authority's and the Group's ability to continue as a going concern as required to provide a true and fair view.
 - b) Any uncertainties disclosed are not considered to be material and therefore do not cast significant doubt on the ability of the Authority and the Group to continue as a going concern.
11. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of defined benefit obligations are consistent with its knowledge of the business and are in accordance with the requirements of IAS 19 (revised) *Employee Benefits*.

The Authority further confirms that:

- a) all significant retirement benefits, including any arrangements that are:
 - statutory, contractual or implicit in the employer's actions;
 - arise in the UK and the Republic of Ireland or overseas;
 - funded or unfunded; and
 - approved or unapproved,have been identified and properly accounted for; and
 - b) all plan amendments, curtailments and settlements have been identified and properly accounted for.
12. The Authority confirms there have been no variations to the Private Finance Initiative (PFI) schemes.
 13. Brent Housing Partnership Limited accounts which are included in the Authority's group accounts, have not been prepared under the going concern concept. The

Authority has considered the valuation of assets and liabilities included in the group accounts relating to Brent Housing Partnership Limited and determined any difference between the values included in the group accounts and if the assets and liabilities had continued to be valued under the going concern concept is not material.

This letter was tabled and agreed at the meeting of the Audit Committee on 22 September 2016

Yours faithfully,

Chief Financial Officer

Appendix to the Authority Representation Letter of London Borough of Brent: Definitions

Financial Statements

A complete set of financial statements comprises:

- A Comprehensive Income and Expenditure Statement for the period;
- A Balance Sheet as at the end of the period;
- A Movement in Reserves Statement for the period;
- A Cash Flow Statement for the period; and
- Notes, comprising a summary of significant accounting policies and other explanatory information.

A local authority is required to present group accounts in addition to its single entity accounts where required by chapter nine of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

A housing authority must present:

- a HRA Income and Expenditure Statement; and
- a Movement on the Housing Revenue Account Statement.

A billing authority must present a Collection Fund Statement for the period showing amounts required by statute to be debited and credited to the Collection Fund.

A pension fund administering authority must prepare Pension Fund accounts in accordance with Chapter 6.5 of the Code of Practice.

An entity may use titles for the statements other than those used in IAS 1. For example, an entity may use the title 'statement of comprehensive income' instead of 'statement of profit or loss and other comprehensive income'.

Material Matters

Certain representations in this letter are described as being limited to matters that are material.

IAS 1.7 and IAS 8.5 state that:

“Material omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.”

Fraud

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

Error

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- a) was available when financial statements for those periods were authorised for issue; and
- b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Management

For the purposes of this letter, references to "management" should be read as "management and, where appropriate, those charged with governance".

Related Party and Related Party Transaction

Related party:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity").

- a) A person or a close member of that person's family is related to a reporting entity if that person:
 - i. has control or joint control over the reporting entity;
 - ii. has significant influence over the reporting entity; or
 - iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b) An entity is related to a reporting entity if any of the following conditions applies:
 - i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - iii. Both entities are joint ventures of the same third party.
 - iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

- v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- vi. The entity is controlled, or jointly controlled by a person identified in (a).
- vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Key management personnel in a local authority context are all chief officers (or equivalent), elected members, the chief executive of the authority and other persons having the authority and responsibility for planning, directing and controlling the activities of the authority, including the oversight of these activities.

A reporting entity is exempt from the disclosure requirements of IAS 24.18 in relation to related party transactions and outstanding balances, including commitments, with:

- a) a government that has control, joint control or significant influence over the reporting entity; and
- b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

Related party transaction:

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

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External Audit Report 2015/16

London Borough of Brent

—
September 2016



Contents

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Page

Report sections

— Introduction	3
— Headlines	5
— Financial statements	10
— VFM Conclusion	19

Appendices

1. Key issues and recommendations	24
2. Audit differences	26
3. Accounts payable – data analytics	30
4. Declaration of independence and objectivity	31

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.psa.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 Philip Johnstone, 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 (on 0207 694 8981, or 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 3H.



Section one: Introduction



This document summarises:

- The key issues identified during our audit of the financial statements for the year ended 31 March 2016 for both the Authority and its pension fund; and
- Our assessment of the Authority's arrangements to secure value for money.

Scope of this report

This report summarises the key findings arising from:

- Our audit work at London Borough of Brent ('the Authority') in relation to the Authority's 2015/16 financial statements and those of the Local Government Pension Scheme it administers ('the Fund'); and
- The work to support our 2015/16 conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources ('VFM conclusion').

Financial statements

Our *External Audit Plan 2015/16*, presented to you in March 2016, set out the four stages of our financial statements audit process.



This report focuses on the third stage of the process: substantive procedures. Our on site work for this took place during July 2015.

We are now in the final phase of the audit, the completion stage. Some aspects of this stage are also discharged through this report.

VFM Conclusion

Our External Audit Plan 2015/16 explained our risk-based approach to VFM work. We have now completed the work to support our 2015/16 VFM conclusion. This included:

- Assessing the potential VFM risks and identifying the residual audit risks for our VFM conclusion;

- Considering the results of any relevant work by the Authority and other inspectorates and review agencies in relation to these risk areas.

Structure of this report

This report is structured as follows:

- Section 2 summarises the headline messages.
- Section 3 sets out our key findings from our audit work in relation to the 2015/16 financial statements of the Authority and the fund.
- Section 4 outlines our key findings from our work on the VFM conclusion.

Our recommendations are included in Appendix 1. We have also reviewed your progress in implementing prior recommendations.

Acknowledgements

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



Section two: Headlines



This table summarises the headline messages for the Authority and the Fund. Sections three and four of this report provide further details on each area.

Page 98

This table summarises the headline messages. Sections three and four of this report provide further details on each area.

<p>Proposed audit opinion</p>	<p>We anticipate issuing an unqualified audit opinion on the Authority’s financial statements by 30 September 2016. We will also report that your Annual Governance Statement complies with guidance issued by CIPFA/SOLACE in June 2007.</p> <p>We also anticipate issuing an unqualified audit opinion in relation to the Pension Fund’s financial statements, as contained both in the Authority’s Statement of Accounts and the Pension Fund Annual Report by 30 September 2016.</p>
<p>Audit adjustments</p>	<p>Our audit has identified seven audit adjustments which increased the net assets of the Authority by £42.9 million The impact of these adjustments is to:</p> <ul style="list-style-type: none"> — Increase in the valuation of Council Dwellings within Property, Plant and Equipment by £44.0 million due to an incorrect revaluation calculation and a duplicated accrual; — Decrease of Other Land and Buildings within Property, Plant and Equipment by £2.9 million due to an inappropriate revaluation of a Finance Lease asset; — On the HRA, to increase the gain on disposal of HRA assets by £9.6 million due to receipts not being included in the calculation – this had been accounted for correctly in the Comprehensive Income and Expenditure Statement and thus just impacts on the HRA; — Movement between usable and unusable reserves of £24.8 million due to incorrect treatment relating to an adjustment for the Minimum Revenue Provision; and — Movements between debtors (£10.8 million), creditors (£2.9 million) and provisions (£7.9 million) due to misclassifications. <p>We have included more details on the above audit adjustments at Appendix two. All of these we understand are to be adjusted by the Authority.</p> <p>The Authority decided in order that the year end valuation for Council dwellings was accurate, it commissioned its five yearly detailed valuation of its Council dwellings at 1 April 2016 for completion in early September. As a result of this more detailed valuation the value of Council dwellings was increased by £76.2 million. This means the total change to Council dwellings from the draft financial statements is an increase of £120.2 million.</p> <p>We have raised a recommendation relating to the closedown process which is included in Appendix one.</p> <p>There were a number of minor presentational adjustments for consistency identified by the audit that the Authority has agreed to process.</p>



This table summarises the headline messages for the Authority and the Fund. Sections three and four of this report provide further details on each area.

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

<p>Key financial statements audit risks</p>	<p>We identified the following key financial statements audit risks areas in our 2015/16 <i>External audit plan</i> issued in March 2016.</p> <ul style="list-style-type: none"> — Oracle General Ledger and Purchase Ledger — Fair value of Property, Plant and Equipment — Actuarial valuation -pension assets and liabilities <p>We have worked with officers throughout the year to discuss these key risks and our detailed findings are reported in section 3 of this report.</p>
<p>Accounts production and audit process</p>	<p>We received a substantially complete draft set of accounts on 24 June 2016 in advance of the DCLG deadline of 30 June 2016.</p> <p>Working papers to support the accounts were provided in a timely manner and officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales. There was an improvement this year on the timing of responses by officers.</p> <p>The Authority has implemented some of the recommendations in our <i>ISA 260 Report 2014/15</i> relating to the financial statements. Progress on the implementation of recommendations is shown in Appendix 1.</p> <p>As in previous years, we will debrief with the finance team to share views on the final accounts audit. This may lead to efficiencies in the 2016/17 audit process and assist the Authority for planning for the 2017/18 audit when the audit deadline is brought forward to 31 July 2018.</p>



This table summarises the headline messages for the Authority and the Fund. Sections three and four of this report provide further details on each area.

Page 100

VFM conclusion and risk areas	<p>We identified the following VFM risks in our <i>2015/16 External audit plan</i> issued in March 2016.</p> <ul style="list-style-type: none"> — Financial Resilience: Local Authorities are subject to an increasingly challenged financial regime with reduced funding from Central Government whilst having to maintain a statutory and quality level of services to local residents — Better Care Fund: The Better Care Fund was set up by Government to encourage joint work across health and adult social care to ensure local people receive better care. Joint arrangements have been established with Brent CCG to administer the local Better Care Fund. As the arrangements are new, crossing the health and social care boundary with organisations who have different legal structures there is a risk that the governance and accounting arrangements may not be well developed to manage this partnership arrangement appropriately. <p>We have worked with officers throughout the year to discuss these VFM risks and our detailed findings are reported in section 4 of this report. There are no matters of any significance arising as result of our audit work in these VFM risk areas.</p> <p>We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>We therefore anticipate issuing an unqualified VFM conclusion by 30 September 2016.</p>
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Page 101

This table summarises the headline messages for the Authority and the Fund. Sections three and four of this report provide further details on each area.

Completion	<p>At the date of this report our audit of the financial statements is complete with the following items to finalise</p> <ul style="list-style-type: none"> — Updated statement of accounts — Final report from the valuers for the valuation of Council Dwellings — Audited financial statements from Brent Housing Partnership — Minor outstanding audit queries — Final audit closure arrangements including final RI review of accounts. <p>You are required to provide us with representations on specific matters such as your going concern assertion and whether the transactions in the accounts are legal and unaffected by fraud. We provided a draft of this representation letter to the Section 151 Officer on 6 September 2016 . We draw your attention to the requirement in our representation letter for you to confirm to us that you have disclosed all relevant related parties to us. We are asking management to provide specific representations on the following:</p> <ul style="list-style-type: none"> ▪ Property, Plant and Equipment Valuations included in the group accounts for Brent Housing Partnership; ▪ No variations have been made to the Private Finance Initiative contracts . <p>We confirm that we have complied with requirements on objectivity and independence in relation to this year’s audit of the Authority’s financial statements.</p>
Audit Certificate	<p>In order for us to issue an audit certificate, we are required to have completed all our responsibilities relating to the financial year. We are not in a position to issue our audit certificate with the audit opinion as we have received six objections to the accounts from local electors.</p> <p>We are currently in the process of considering these objections and assess the work we need to fulfil our statutory duties.</p> <p>We also need to complete the work on your Whole of Government Accounts return prior to the audit certificate being issued. The deadline for the certification of the Whole of Government Accounts return is 21 October 2016 and we are on course to deliver this.</p>



Section three: Financial Statements

Proposed opinion and audit differences



Our audit has identified seven audit adjustments. In addition, the Authority processed an amendment to Property, Plant and Equipment following the detailed five yearly review.

The impact of these adjustments is to:

- Net increase in Property, Plant and Equipment by £117.3 million
- Decrease in current assets of £10.9 million;
- Decrease in current liabilities of £10.9 million;
- Decrease in usable reserves of £24.8 million with an increase in unusable reserves of £24.8 million:
- Resulting in an increase in the net worth of the Authority as at 31 March 2016 by £117.3 million.

Page 103

Proposed audit opinion

We anticipate issuing an unqualified audit opinion on the Authority's financial statements following approval of the Statement of Accounts by the Audit Committee on 22 September 2016.

Audit differences

In accordance with ISA 260 we are required to report uncorrected audit differences to you. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

The final materiality (see Appendix two for more information on materiality) level for this year's audit was set at £12 million. Audit differences below £600,000 are not considered significant.

Our audit identified a total of seven significant audit differences, which we set out in Appendix two. It is our understanding that these will be adjusted in the final version of the financial statements.

The tables on the right illustrate the total impact of audit differences. It also includes the results of the detailed five yearly valuation of the Council dwellings as at 1 April 2016 which was completed in September 2016.

The net impact is to reduce usable reserves by £24.8 million, increase unusable reserves by £144.1 million and increase Property, Plant and Equipment by £117.3 million.

Movements in Usable Reserves Statement			
£m	Pre-audit	Post-audit	Ref (App.3)
Total comprehensive income and expenditure	(164,360)	(46,574)	1,2,3*
Adjustments between accounting basis and funding basis under Regulations	195,073	52,467	1,2,3,4*
Increase in Usable Reserves	30,713	5,893	

Balance sheet as at 31 March 2016			
£m	Pre-audit	Post-audit	Ref (App.3)
Property, plant and equipment	1,340,159	1,457,481	1 – 3*
Other long term assets	57,920	57,920	
Current assets	269,419	258,613	6
Current liabilities	(134,077)	(121,356)	3,5,6
Long term liabilities	(1,115,291)	(1,115,291)	
Net worth	418,130	537,367	
Usable reserves	(349,603)	(324,783)	4
Unusable reserves	(68,527)	(212,584)	4*
Total reserves	(418,130)	537,367	

* In addition to the audit adjustments, the Authority had a full revaluation of Council dwellings as at 1 April 2016 completed in September 2016 that increased Council dwellings and Unusable reserves by £76.192 million

Proposed opinion and audit differences (cont.)



We have identified no issues in the course of the audit of the Pension Fund that are considered to be material.

We anticipate issuing an unqualified audit opinion in relation to the Pension Fund's financial statements, as contained both in the Authority's Statement of Accounts and the Pension Fund Annual Report by 30 September 2016.

The wording of your Annual Governance Statement complies with guidance issued by CIPFA/SOLACE in June 2007.

In addition, we identified a number of presentational adjustments for consistency within the accounts. We understand that the Authority will be addressing these where significant.

Pension fund audit

Our audit of the Fund did not identify any material misstatements.

For the audit of the Fund we used a lower materiality level of £5 million. Audit differences below £250,000 are not considered significant.

We anticipate issuing an unqualified audit opinion following approval of the Statement of Accounts by the Audit Committee on 22 September 2016.

There were no significant audit differences identified during the audit.

We did identify a number of presentational adjustments required to ensure that the accounts are compliant with the Code. We understand that the Fund will be addressing these where significant.

Annual Governance Statement

We have reviewed the Annual Governance Statement and confirmed that:

- It complies with *Delivering Good Governance in Local Government: A Framework* published by CIPFA/SOLACE; and
- It is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.

Narrative statement

We have reviewed the Narrative Statement and not identified any inconsistencies with the Statement of Accounts

Pension Fund Annual Report

We have reviewed the Pension Fund Annual Report and confirmed that the financial and non-financial information it contains is not inconsistent with the financial information contained in the audited financial statements.

We anticipate issuing an unqualified opinion on the Pension Fund Annual Report at the same time as our opinion on the Statement of Accounts.

Significant audit risks



We have worked with the Authority throughout the year to discuss significant risks and key areas of audit focus.

This section sets out our detailed findings on those risks.

In our External Audit Plan, presented to you in March 2016, we identified the significant risks affecting the Authority's 2015/16 financial statements. We have now completed our testing of these areas and set out our evaluation following our substantive work.

The table below sets out our detailed findings for each of the risks that are specific to the Authority.

Significant Risk 1

— Oracle General Ledger and Purchase Ledger

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

— Findings

During the course of the audit we did not identify any issues in relation to the general ledger and the purchase ledger. We undertook data and analytics tests over the accounts payable data which did not identify any significant issues. This included testing items without Purchase Orders and those with the Purchase Order the same date as the invoice.

Significant Risk 2

— Fair value of Property, Plant and Equipment

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

— Findings

Our audit procedures considered the expertise and assumptions used by the valuer during both the initial revaluation exercise and the subsequent detailed five yearly valuation that the Authority had commissioned to be received prior to the completion of the financial statements audit. On the initial valuation we found calculation errors that meant Council dwellings were under valued by £44.9 million. Further details are included in Appendix two. The detailed five yearly valuation resulted in an increase of £76.2 million which meant that Council dwellings increased by £120.2 million from the draft accounts.

We are awaiting the final valuation report on Council dwellings that was completed in September 2016 to complete our audit work on this area.

Significant audit risks (cont.)



We have worked with the Authority throughout the year to discuss significant risks and key areas of audit focus.

This section sets out our detailed findings on those risks and the area of audit focus.

Page 106

Significant Risk 3

- Actuarial valuation - pension assets and liabilities

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

- Findings

We reviewed the work of the actuary and considered them as a specialist. Our audit work also reviewed the assumptions applied by the actuary and as a result of our testing we did not identify any issues in relation to the actuarial valuation.

Area of focus 1

- Pension Funds area of focus - Investments

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

- Findings

Our audit work considered the unquoted investments which management have valued at the year end using the unaudited accounts. We did not identify any issues in relation to this area during our audit testing.

Significant audit risks (cont.)



We have worked with the Authority throughout the year to discuss significant risks and key areas of audit focus.

This section sets out our detailed findings on those risks.

In our *External Audit Plan 2015/16* we reported that we would consider two risk areas that are specifically required by professional standards and report our findings to you. These risk areas were management override of controls and the fraud risk of revenue recognition.

The table below sets out the outcome of our audit procedures and assessment on these risk areas.

Fraud risk of revenue recognition

Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.

In our *External Audit Plan 2015/16* we stated that 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 and annual central Government grants and do not incorporate specific work into our audit plan in these areas over and above our standard fraud procedures. However, we do consider it for income relating to s106 monies, fees and grants that span financial years.

Our audit work therefore considered the fraud risk of revenue recognition for income relating to s106 monies, fees and grants that span financial years. We did not identify any issues in relation to this significant risk.

Management override of controls

Professional standards require us to communicate the fraud risk from management override of controls as significant because management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

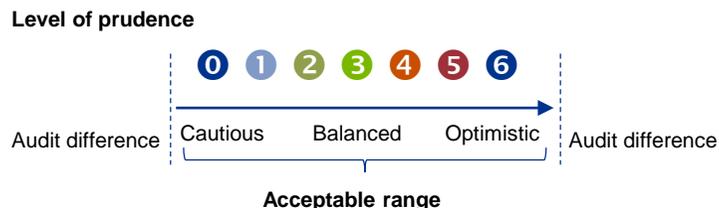
Our audit methodology incorporates the risk of management override as a default significant risk. We have not identified any specific additional risks of management override relating to this audit.

In line with our methodology, we carried 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.

There are no matters arising from this work that we need to bring to your attention.



We always consider the level of prudence within key judgements in your financial statements. We have summarised our view below using the following range of judgement:



Assessment of subjective areas				
Asset/liability class	15/16	14/15	Balance (£m)	KPMG comment
Provisions	3	3	£16.4 million <i>(PY: £11.2 million)</i>	The increase in the provisions balance relates mainly to additional provisions being made for appeals on NNDR. We consider the related disclosures to be proportionate, and provisions have been recognised on a consistent basis.
Deferred income	3	3	£22.1 million <i>(PY: £24.1 million)</i>	We reviewed this balance through our audit testing and confirmed this related to the PFI at the Authority. No issues were identified and it was considered that the related disclosures are proportionate, and deferred income has been calculated on a consistent basis.
Property, Plant and Equipment	3	5	£1,457.5 million <i>(PY: £1,471.4 million)</i>	The Authority has followed the valuation and asset lives supplied by the valuers for other land and buildings and Council dwellings. Council dwellings have had their five yearly detailed review and have reduced in value. The Authority was aware that in prior years council dwellings may have been overvalued due to the indices being used. We have not identified any issues with the valuations used in the post audit accounts.
Pension Liability	3	3	£636.0 million <i>(PY: £725.0 million)</i>	We have regarded the actuary as an expert and reviewed the actuarial report and considered the application of assumptions including discount rate, inflation, salary growth and life expectancy against our expectations. We have not identified any issues with the information recorded in the accounts.
Debtors	2	3	£80.8 million <i>(PY: £67.6 million)</i>	We have reviewed the impairment for debtors and for certain classes of debt especially relating to individuals our view is that the Authority is slightly on the cautious side but well within the acceptable range.
Creditors including accruals	3	3	£99.2 million <i>(PY: £97.7 million)</i>	We consider the related disclosures to be proportionate. The main creditors are consistent with the prior year and in line with our expectations.

Accounts production and audit process



Officers dealt efficiently with audit queries and the audit process could be completed within the planned timescales.

The Authority has implemented some of the recommendations in our ISA 260 Report 2014/15.

Page 109

Accounts production and audit process

ISA 260 requires us to communicate to you our views about the significant qualitative aspects of the Authority's accounting practices and financial reporting. We also assessed the Authority's process for preparing the accounts and its support for an efficient audit.

Element	Commentary
Accounting practices and financial reporting	The Authority has strengthened its overall financial processes through implementation of the majority of the recommendations raised in our FSC Report from September 2015. We consider that accounting practices are appropriate.
Completeness of draft accounts	We received a substantially complete set of draft accounts on 24 June 2016 with a few notes missing including the note on the reconciliation between management structure and the Comprehensive Income and Expenditure Statement.
Quality of supporting working papers	Our <i>Accounts Audit Protocol</i> , which we issued in February 2016 and discussed with the Head of Finance, set out our working paper requirements for the audit. Overall the quality of working papers provided was timely and good and met the standards specified in our <i>Accounts Audit Protocol</i> . There is scope for some improvements in some creditor balance working papers that we will explore with officers post audit.
Response to audit queries	Officers resolved audit queries in a reasonable time.

Element	Commentary
Group audit	To gain assurance over the Authority's group accounts, we placed reliance on work completed by PwC on the financial statements of Brent Housing Partnership. We bring to the Audit Committee's attention the fact that Brent Housing Partnership accounts have not been prepared on a going concern basis. There are no other specific matters to report pertaining to the group audit.
Pension Fund Audit	The audit of the Pension Fund was completed alongside the main audit. There are no specific matters to bring to your attention relating to this.

Internal audit

Where our audit approach is to undertake controls work on financial systems, we seek to review the findings of any relevant work internal audit have completed to minimise unnecessary duplication of work. This will inform our overall risk assessment process.

Prior year recommendations

As part of our audit we have specifically followed up the Authority's progress in addressing the recommendations in last years ISA 260 report.

The Authority has implemented some of the recommendations in our *ISA 260 Report 2014/15*. We have detailed in Appendix One, those which have not yet been adequately addressed.



We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

Before we can issue our opinion we require a signed management representation letter.

Once we have finalised our opinions and conclusions we will prepare our Annual Audit Letter and close our audit.

Declaration of independence and objectivity

As part of the finalisation process we are required to provide you with representations concerning our independence.

In relation to the audit of the financial statements of London Borough of Brent and the associated Pension Fund for the year ending 31 March 2016, we confirm that there were no relationships between KPMG LLP and London Borough of Brent and the associated Pension Fund, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix four in accordance with ISA 260.

Management representations

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have provided a template to the Chief Finance Officer for presentation to the Audit Committee. We require a signed copy of your management representations before we issue our audit opinion.

Other matters

ISA 260 requires us to communicate to you by exception 'audit matters of governance interest that arise from the audit of the financial statements' which include:

- Significant difficulties encountered during the audit;
- Significant matters arising from the audit that were discussed, or subject to correspondence with management;
- Other matters, if arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the financial reporting process; and
- Matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, public interest reporting, questions/objections, opening balances etc.).

There are no others matters which we wish to draw to your attention in addition to those highlighted in this report or our previous reports relating to the audit of the Authority's 2015/16 financial statements.



Section four: Value for Money



Our VFM conclusion considers whether 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.

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

We have concluded that the Authority has made proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Page 112

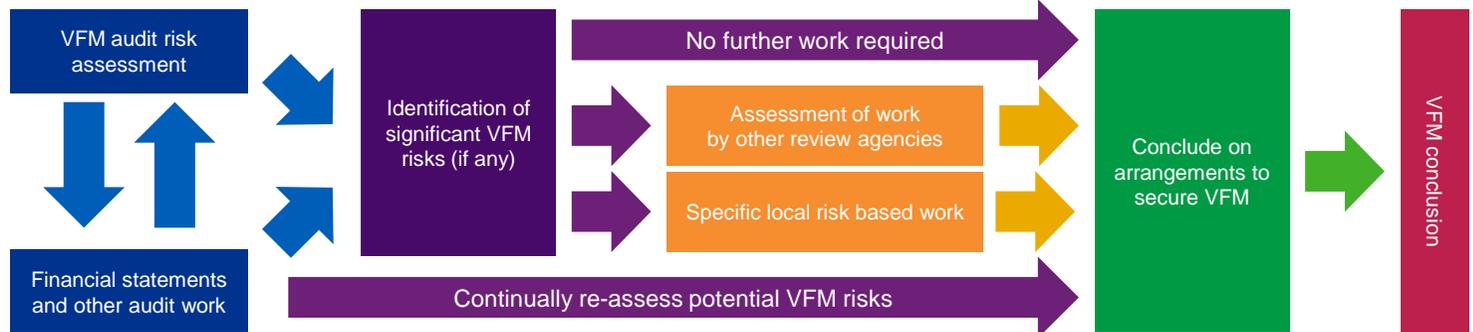
Background

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

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

The VFM approach is fundamentally unchanged from that adopted in 2014/2015 and the process is shown in the diagram below. However, the previous two specified reporting criteria (financial resilience and economy, efficiency and effectiveness) have been replaced with a single criteria supported by three sub-criteria.

These sub-criteria provide a focus to our VFM work at the Authority.



Conclusion

We have concluded that the Authority has made proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

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.



Specific VFM Risks



We have identified two specific VFM risks. In all cases we are satisfied that external or internal scrutiny provides sufficient assurance that the Authority's current arrangements in relation to these risk areas are adequate.

Work completed

In line with the risk-based approach set out on the previous page, and in our *External Audit Plan* we have:

- Assessed the Authority's key business risks which are relevant to our VFM conclusion;
- Identified the residual audit risks for our VFM conclusion, taking account of work undertaken in previous years or as part of our financial statements audit;
- Considered the results of relevant work by the Authority, inspectorates and review agencies in relation to these risk areas.

Key findings

Below we set out the findings in respect of those areas where we have identified a residual audit risk for our VFM conclusion.

We concluded that we did not need to carry out additional work for these risks as there was sufficient relevant work that had completed by the Authority, inspectorates and review agencies in relation to these risk areas.

Key VFM risk	Risk description and link to VFM conclusion	Assessment
	<p>Local Authorities are subject to an increasingly challenged financial regime with reduced funding from Central Government whilst having to maintain a statutory and quality level of services to local residents.</p> <p>This is relevant to the informed decision making, sustainable resource deployment, working with partners and third parties sub-criteria of the VFM conclusion.</p>	<p>Despite ongoing cost pressures in areas such as temporary accommodation and adult social care, the Authority delivered to its 2015/16 budget. The budget for 2016/17 was set, with a 3.99% increase in Council Tax. At the budget setting meeting in February 2016, initial plans and projections for the 2017/18 budget were presented with £14 million of the estimated £22 million of saving required already identified and approved.</p> <p>Our review of the work completed by inspectorates and agencies did not identify any issues of concern.</p> <p>The Authority's approach to financial planning and financial resilience remains sound.</p>

Specific VFM Risks (cont.)



We have identified a number of specific VFM risks.

In all cases we are satisfied that external or internal scrutiny provides sufficient assurance that the Authority's current arrangements in relation to these risk areas are adequate.

Page 114

Key VFM risk	Risk description and link to VFM conclusion	Assessment
	<p>The Better Care Fund was set up by Government to encourage joint work across health and adult social care to ensure local people receive better care. Joint arrangements have been established with NHS Brent CCG to administer the local Better Care Fund. As the arrangements are new, crossing the health and social care boundary with organisations who have different legal structures there is a risk that the governance and accounting arrangements may not be well developed to manage this partnership arrangement appropriately.</p> <p>This is relevant to the informed decision making, sustainable resource deployment, working with partners and third parties sub-criteria of the VFM conclusion.</p>	<p>During the audit we reviewed the arrangements in place for the Better Care Fund (BCF) and found that the joint arrangements have been operating for the 2015/16 financial year.</p> <p>Draft Plans are presented to the Health and Wellbeing Board prior to submission. A section 75 pooled budget agreement is in place with NHS Brent CCG and delivery against this is monitored monthly by the BCF Executive Steering Group which includes senior officers from the Authority. There are clear leads over who is responsible for delivering individual projects. Reports against progress and ongoing priority areas are presented to the Health and Wellbeing Board at regular intervals.</p> <p>The Authority has disclosed full details in note 16 of the financial statements.</p>



Appendices

Appendix 1: Key issues and recommendations

Appendix 2: Audit differences

Appendix 3: Data Analytics

Appendix 4: Independence and objectivity

Key issues and recommendations

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

The Authority should closely monitor progress in addressing specific risks and implementing our recommendations.

We will formally follow up these recommendations next year.

Page 116

Priority rating for recommendations

<p>1 Priority one: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.</p>	<p>2 Priority two: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.</p>	<p>3 Priority three: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.</p>
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No.	Risk	Issue and recommendation	Management response/responsible officer/due date
1	2	<p>Detailed review</p> <p>The Authority delivered the draft statement of accounts in advance of the statutory deadline at a time when it was also undergoing a major reorganisation and reduction in staff in the finance function. Our view of some of the adjustments made as a result of our audit and highlighted in Appendix 2 is that they may have been identified through a detailed review of the working papers together with the accounts prior to being presented to the Chief Finance Officer.</p> <p>We recommend that sufficient time is built into the process to allow for a detailed review of working papers with the accounts to be completed prior to presentation to the Chief Finance Officer. This will be increasingly challenging as the deadline for producing unaudited accounts is being brought forwards to 31 May in 2018.</p>	<p>The Authority is reviewing the preparation of its accounts to identify how to bring forward completion of as many elements of the accounts as possible. Much more emphasis will be placed on a month 9 close, and use of estimates where figures do not change materially from month to month. This should prevent work on preparation of the numbers underlying the accounts extending beyond the first week of April. This revised timeline will include time for technical review of the accounts, which should complete by early May, with production of the unaudited accounts by 31st May.</p>

Follow up of prior year recommendations

The Authority has not implemented all of the recommendations in our ISA 260 Report 2014/15.

We re-iterate the importance of the outstanding recommendations and recommend that these are implemented as a matter of urgency.

This appendix summarises the progress made to implement the recommendations identified in our ISA 260 Report 2014/15 and re-iterates any recommendations still outstanding.

Number of recommendations that were:	
Included in original reports	3
Implemented in year or superseded	2
Remain outstanding (re-iterated below)	1

No.	Risk	Issue and recommendation	Officer responsible and due date	Status as at September 2016
1	1	<p>Finance Service Centre</p> <p>The Authority requested that we complete a detailed review of the Finance Service Centre in addition to our statutory audit. We completed this work in June 2015 and issued a report to the Audit Committee in September 2015 with a number of recommendations which management accepted.</p> <p>The recommendations made in our Finance Service Centre review should be fully implemented as agreed in the action plan</p>	<p>The Authority will implement the recommendations made in the Finance Service Centre Review, in line with the agreed action plan</p> <p>Operational Director – Finance</p> <p>Due date – as per the due date agreed for each recommendation in the action plan (August 15 to March 2016).</p>	<p>Officers reported to the Audit Committee in January 2016 progress made on implementing the recommendations with a majority implemented.</p> <p>We tested a number of the key recommendations through our work on the financial statements and found the following:</p> <ul style="list-style-type: none"> a) Self approved journals are not routinely reviewed; and b) Changes to bank account details are reviewed by senior management at irregular intervals rather than say on a monthly basis. Without a set timetable, this increases the risk that the control may not be completed in a timely manner. <p>The Authority should ensure these controls operate on a timely basis.</p>

Audit differences

This appendix sets out the significant audit differences identified during the audit for the year ended 31 March 2016.

We are reporting all audit differences over £600k.

It is our understanding that all of these will be adjusted.

Page 118

We are required by ISA 260 to report all uncorrected misstatements, other than those that we believe are clearly trivial, to those charged with governance (which in your case is the Audit Committee). We are also required to report all material misstatements that have been corrected but that we believe should be communicated to you to assist you in fulfilling your governance responsibilities.

Corrected audit differences

The following table sets out the significant audit differences identified by our audit of London Borough of Brent's financial statements for the year ended 31 March 2016. It is our understanding that these will be adjusted. However, we have not yet received a revised set of financial statements to confirm this.

No.	Income and expenditure statement	Movement in reserves statement	Impact			Basis of audit difference
			Assets	Liabilities	Reserves	
1	Cr. CIES £45,889k	Dr Adjustments between funding basis £45,899k	Dr. PPE £45,889k		Cr Revaluation Reserve £45,899k	The Gross Book Value of Council dwellings was used to calculate the loss on revaluation rather than the net book value resulting in a £39m error. In addition, an error in a supporting spreadsheet lead to a further £6m error. As a result the loss on revaluation was overstated by £45,889k.
2	Dr CIES £2,900k	Cr Adjustments between funding basis £2,900k	Cr. PPE £2,900k		Dr Revaluation Reserve £2,900k	An asset leased under a finance lease was incorrectly included in PPE. As the Authority is the lessor there should be no value regarding this on the balance sheet.
3	Dr CIES £1,395k	Cr Adjustments between funding basis £1,395k	Cr PPE £1,861k	Dr Creditors £1,861k		An accrual for capital expenditure on Council dwellings was processed twice

Appendix two

Audit differences (Cont.)

This appendix sets out the significant audit differences identified during the audit for the year ended 31 March 2016.

We are reporting all audit differences over £600k.

It is our understanding that all of these will be adjusted.

Page 119

Corrected audit differences (continued)

No	Income and expenditure statement	Movement in reserves statement	Impact			Basis of audit difference
			Assets	Liabilities	Reserves	
4		Dr Adjustments between funding basis £24,820k Cr Transfer to earmarked reserves £24,820k			Dr Earmarked reserves £24,820k Cr CAA £24,820k	Difference relating to an MRP adjustment that was incorrectly included in accounts.
5				Dr Short term provisions £7,964k Cr Creditors £7,964k		DCLG and GLA share of NNDR appeals provisions incorrectly shown on the balance sheet.
6			Cr Debtors £10,806k	Dr Creditors £10,806k		Output VAT included in creditors rather than netted off Input VAT.
7						Incorrect figure was used to calculate the gain/loss on disposal of HRA assets. Error of £9,584k impacts on HRA only as correctly treated in CIES
	Cr £41,594k	Dr £41,594k	Dr £30,322k	Dr £12,667k	Cr £42,989k	Total impact of adjustments

Audit differences (Cont.)

This appendix sets out the audit differences.

The financial statements have been amended for all of the errors identified through the audit process.

The Authority also had a full detailed revaluation of Council dwellings as at 1 April 2016 completed in September 2016 which lead to Council dwellings and unusable reserves being increased by £76.192 million to reflect the year end value.

We identified a number of presentational adjustments required to ensure that the accounts are compliant with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 ('the Code') and for consistency within the accounts. These have been discussed with management and we understand that the Authority will be addressing these where significant.

Uncorrected audit differences

We are pleased to report that there are no uncorrected audit differences.

Pension Fund - Corrected and uncorrected audit differences

We are pleased to report that there are no corrected or uncorrected audit differences. There were a number of presentational adjustments required to ensure that the accounts are compliant with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 ('the Code') and for consistency within the accounts. These have been discussed with management and we understand that the Authority will be addressing these where significant.

Materiality and reporting of audit differences

For 2015/16 our materiality is £12 million for the Authority's accounts. For the Pension Fund it is £5 million.

We have reported all audit differences over £0.6 million for the Authority's accounts and £0.25 million for the Pension Fund, to the Audit Committee.

Page 121

Materiality

The assessment of what is material is a matter of professional judgment and includes consideration of three aspects: materiality by value, nature and context.

- Material errors by value are those which are simply of significant numerical size to distort the reader's perception of the financial statements. Our assessment of the threshold for this depends upon the size of key figures in the financial statements, as well as other factors such as the level of public interest in the financial statements.
- Errors which are material by nature may not be large in value, but may concern accounting disclosures of key importance and sensitivity, for example the salaries of senior staff.
- Errors that are material by context are those that would alter key figures in the financial statements from one result to another – for example, errors that change successful performance against a target to failure.

We used the same planning materiality reported in our External Audit Plan 2015/16, presented to you in March 2016.

Materiality for the Authority's accounts was set at £12 million which equates to around 1.3 percent of gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision, set at £8 million for 2015/16.

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 misstatements of lesser amounts to the extent that these are identified by our audit work.

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

ISA 450 requires us to request that uncorrected misstatements are corrected.

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 £0.6 million for the Authority.

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

Materiality – Pension fund audit

The same principles apply in setting materiality for the Pension Fund audit. Materiality for the Pension Fund was set at £5 million which is approximately 1 percent of net assets.

We design our procedures to detect errors at a lower level of precision, set at £3.75 million for 2015/16.

Accounts Payable - Data Analytics

Driving more value from the audit through data and analytics

Technology is embedded throughout our audit approach to deliver a high quality audit opinion.

We strive to deliver new quality insight into your operations that enhances our and your preparedness and improves your collective business intelligence.'

Page 122

Key Findings

To support our audit approach and to provide insight into the Authority's Non-Pay Expenditure, we have conducted data analytics on the Accounts Payable system.

We conducted 7 tests, and followed up on particular exceptions with management. Our testing included reviewing duplicated supplier invoices, invoices with no matching Purchase Order and invoiced dated prior to Purchase Orders.

Explanations as to the reasons behind the items tested were obtained and deemed reasonable.

There are no issues we need to bring to the Audit Committee's attention.

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Declaration of independence and objectivity

Auditors appointed by Public Sector Audit Appointments Ltd must comply with the Code of Audit Practice.

Requirements

Auditors appointed by Public Sector Audit Appointments Ltd must comply with the Code of Audit Practice (the 'Code') which states that:

"The auditor should carry out their work with integrity, objectivity and independence, and in accordance with the ethical framework applicable to auditors, including the ethical standards for auditors set by the Financial Reporting Council, and any additional requirements set out by the auditor's recognised supervisory body, or any other body charged with oversight of the auditor's independence. The auditor should be, and should be seen to be, impartial and independent. Accordingly, the auditor should not carry out any other work for an audited body if that work would impair their independence in carrying out any of their statutory duties, or might reasonably be perceived as doing so."

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code, the detailed provisions of the Statement of Independence included within the Public Sector Audit Appointments Ltd *Terms of Appointment* ('Public Sector Audit Appointments Ltd Guidance') and the requirements of APB Ethical Standard 1 *Integrity, Objectivity and Independence* ('Ethical Standards').

The Code states that, in carrying out their audit of the financial statements, auditors should comply with auditing standards currently in force, and as may be amended from time to time. Public Sector Audit Appointments Ltd guidance requires appointed auditors to follow the provisions of ISA (UK&I) 260 *Communication of Audit Matters with Those Charged with Governance* that are applicable to the audit of listed companies. This means that the appointed auditor must disclose in writing:

- Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor's objectivity and independence.
- The related safeguards that are in place.
- The total amount of fees that the auditor and the auditor's network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately disclosed. We do this in our *Annual Audit Letter*.

Appointed auditors are also required to confirm in writing that they have complied with Ethical Standards and that, in the auditor's professional judgement, the auditor is independent and the auditor's objectivity is not compromised, or otherwise declare that the auditor has concerns that the auditor's objectivity and independence may be compromised and explaining the actions which necessarily follow from his. These matters should be discussed with the Audit Committee.

Ethical Standards require us to communicate to those charged with governance in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on our independence and the objectivity of the Engagement Lead and the audit team.

Declaration of independence and objectivity (cont.)

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

Page 124

General procedures to safeguard independence and objectivity

KPMG's reputation is built, in great part, upon the conduct of our professionals and their ability to deliver objective and independent advice and opinions. That integrity and objectivity underpins the work that KPMG performs and is important to the regulatory environments in which we operate. All partners and staff have an obligation to maintain the relevant level of required independence and to identify and evaluate circumstances and relationships that may impair that independence.

Acting as an auditor places specific obligations on the firm, partners and staff in order to demonstrate the firm's required independence. KPMG's policies and procedures regarding independence matters are detailed in the *Ethics and Independence Manual* ('the Manual'). The Manual sets out the overriding principles and summarises the policies and regulations which all partners and staff must adhere to in the area of professional conduct and in dealings with clients and others.

KPMG is committed to ensuring that all partners and staff are aware of these principles. To facilitate this, a hard copy of the Manual is provided to everyone annually. The Manual is divided into two parts. Part 1 sets out KPMG's ethics and independence policies which partners and staff must observe both in relation to their personal dealings and in relation to the professional services they provide. Part 2 of the Manual summarises the key risk management policies which partners and staff are required to follow when providing such services.

All partners and staff must understand the personal responsibilities they have towards complying with the policies outlined in the Manual and follow them at all times. To acknowledge understanding of and adherence to the policies set out in the Manual, all partners and staff are required to submit an annual ethics and independence confirmation. Failure to follow these policies can result in disciplinary action.

Auditor declaration

In relation to the audit of the financial statements of London Borough of Brent and Brent Pension Fund for the financial year ending 31 March 2016, we confirm that there were no relationships between KPMG LLP and London Borough of Brent and Brent Pension Fund, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

Appendix four

Declaration of independence and objectivity (cont.)

Audit Fees

Our scale fee for the audit was £199,590 plus VAT (£266,120 in 2014/15). This fee was in line with that highlighted within our audit plan agreed by the Audit Committee in March 2016. Our scale fee for certification for the HBCOUNT was £20,815 plus VAT and fees for the Teachers Pension Return and Pooling Housing Capital Receipts were £6,000 in total, plus VAT (£6,000 in 2014/15). We also completed an audit related review of the Financial Services Centre in May 2015 for £17,000.

The scale fee for the Pension fund was £21,000 (2014/15 £21,000) plus VAT. The fee is in line with that highlighted in our audit plan agreed by the Audit Committee in March 2015.

Non-audit services

We have summarised below the non-audit services that we have been engaged to provide, the estimated fee, the potential threats to auditor independence and the associated safeguards we have put in place to manage these.

Description of non-audit service	Estimated fee	Potential threat to auditor independence and associated safeguards in place
Forensic review of system error	£35,352	<p>Self interest – This engagement is entirely separate from the audit through a separate contract, engagement team and lead partner. In addition, the audit fee scale rates were set independently to KPMG by the PSAA (previously Audit Commission). Therefore, the proposed engagement will have no perceived or actual impact on the audit team and the audit team resources that will be deployed to perform a robust and thorough audit.</p> <p>Self review – The nature of this work was to investigate a specific processing issue that arose at the client. Therefore, it does not impact on our opinion and we do not consider that the outcome of this work will be a threat to our role as external auditors. The existence of a separate team for this work is a further safeguard. Consequently, we consider we have appropriately managed this threat.</p> <p>Management threat – This work will be advice and support only – any decisions will be made by the Authority.</p> <p>Familiarity – This threat is limited given the scale, nature and timing of the work. The existence of the separate team for this work is the key safeguard.</p> <p>Advocacy – We will not act as advocates for the Authority in any aspect of this work. We will draw on our experience in such roles to provide the Authority with a range of approaches but the scope of this work falls well short of any advocacy role.</p> <p>Intimidation – Neither the scale of our work or its significance to KPMG as a whole is such that we would consider ourselves at risk of an intimidation threat from LBB to change our behaviours in our role as external auditor in order to satisfy LBB in relation to matters we do not concur with.</p>

Page 125

Declaration of independence and objectivity (cont.)

Description of non-audit service	Estimated fee	Potential threat to auditor independence and associated safeguards in place
Fraud awareness training	£18,299	<p>Self interest – This engagement is entirely separate from the audit through a separate contract, engagement team and lead partner. In addition, the audit fee scale rates were set independently to KPMG by the PSAA (previously Audit Commission). Therefore, the proposed engagement will have no perceived or actual impact on the audit team and the audit team resources that will be deployed to perform a robust and thorough audit.</p> <p>Self review – The nature of this work is to provide training for the Authority’s staff on fraud awareness. Therefore, it does not impact on our opinion and we do not consider that the outcome of this work will be a threat to our role as external auditors. The existence of a separate team for this work is a further safeguard. Consequently, we consider we have appropriately managed this threat.</p> <p>Management threat – This work will be advice and support only – all decisions will be made by the Authority.</p> <p>Familiarity – This threat is limited given the scale, nature and timing of the work. The existence of the separate team for this work is the key safeguard.</p> <p>Advocacy – We will not act as advocates for the Authority in any aspect of this work. We will draw on our experience in such roles to provide the Authority with a range of approaches but the scope of this work falls well short of any advocacy role.</p> <p>Intimidation – Neither the scale of our work or its significance to KPMG as a whole is such that we would consider ourselves at risk of an intimidation threat from LBB to change our behaviours in our role as external auditor in order to satisfy LBB in relation to matters we do not concur with.</p>
Total fees as a percentage of the external audit fees	26%	Prior to accepting the work on fraud awareness training, in line with PSAA’s terms and conditions on the level of non audit services provided to audit clients, we were required to seek their authorisation which included us providing our terms of reference and the safeguards we had in place for auditor independence.

Page 126



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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 style="text-align: center;">Audit Committee 22 September 2016</p> <p style="text-align: center;">Report from the Chief Finance Officer</p>
<p>For Information Wards Affected: ALL</p>	
<p style="text-align: center;">Internal Audit & Counter Fraud Progress Report for the period 1 April – August 2016</p>	

1. Summary

- 1.1 This report provides an update on the progress against the internal audit plan for the period 1 April 2016 to 31 August 2016. The appendix to the report also summarises those reports from the 2015/16 plan which have been finalised since the last meeting of the committee. The report also provides a summary of counter fraud work for the first quarter of 2016/17.

2. Recommendations

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

3. Detail

- 3.1. The Internal Audit Plan for 2016/17 comprises 1,110 days. 590 days will be delivered by PwC. The in-house resource will deliver a further 520 days.
- 3.2. Much of the work of the first quarter of the year focused on the completion of the 2015/16 plan. A summary of reports finalised during the first quarter relating to last year's plan are summarised in appendix 1.
- 3.3. Following a competitive tender process, PricewaterhouseCoopers (PwC) were appointed as the new Strategic Audit Partner for the Shared Service, for 2016-2020. The contract was not finally signed until the 16th of June 2016 but practical arrangements were made to mobilise work activity to avoid delays. These included the following mobilisation activities to ensure an effective transition from the previous internal audit service providers, Mazars:
- Established an agreed working protocol with the Head of Internal Audit and Investigation;
 - Agreed revised terms of references and interactive reporting templates with the Head of Internal Audit and Investigation;

- Held meetings with the Head of Internal Audit and Investigation and other key stakeholders to agree audit approaches, form a project plan to support the delivery of the audit plan and establish contract management arrangements; and
- Arranged Audit Committee training for all three boroughs.

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

- Two reports from the 2015/16 audit plan have been finalised since the last meeting of the Committee. Both reports had substantial assurance opinions and details are included in the Appendix 1 of this report.
- There are 56 internal audit projects included within the agreed 2016/17 plan (excluding follow up and advisory work). Work has commenced on fifteen of these.
- Three audits projects have been delayed at the request of management. Details of the audits which have been delayed are set out in Table 2.
- Seven audit projects have been completed to draft or final stage. Three of them have an audit opinion associated with them. One has a substantial opinion and two limited opinions. The remaining four relate to grant and account certifications as well as consultancy work which do not have an assurance rating attached.

Table 1– Projects Added to original plan

Audit	Reason
Planning Applications	At the request of management
IT Risk Diagnosis	Shared Service Project undertaken by contractor
Assurance Mapping	Shared Service Project undertaken by contractor
Kilburn Square TMO (BHP)	At the request of BHP Management
Essential User Permits	At the request of management
Rogue Landlords Grant Certification	Grant Certification work
Data Protection (BHP)	At the Request of BHP Management

Table 2 – Projects to be Delayed

Audit	Reason
Procurement – Non major works (BHP)	Postponed until Q4 at the request of management due to ongoing structural changes within the team
BHP Owned Properties	Postponed until the early part of Q3 at the request of management due to staff being unavailable to assist with the audit
IT Application Audits	Postponed to Q4 at the request of management and work being carried out on IT Risks by the PWC

A summary of progress is set out in table 3 below:

Table 3 – Delivery Status as at 31 August 2016

Delivery Status	
Total number of reports to be delivered in current plan	56
Number of draft/final reports/certifications issued to date	7
% of reports issued to date	13%

3.5. Members will note that progress to date on the 2016/17 internal audit plan is currently below the profiled target for quarter one. This has largely been due to the significant amount of work required to finalise the outstanding 2015/16 audits, during the quarter following the termination of the contract with Mazars. However, the expectation is that the plan will still be delivered within the year.

3.6. Follow Up of 2015/16 Audit Recommendations

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

Of the 92 Priority 1 and 2 recommendations arising from 2015/16 audits and due to be implemented by 31st August 2016, 36 had either been fully or partly implemented and three had yet to be implemented. We were unable to determine the status of 53 recommendations because responsible officers had still to update the relevant details on Infostore.

As will be noted from the table below, some action plans agreed by management as part of the audit process are not being completed effectively and on a timely basis. Some officers are not updating the status of the implementation of recommendations on Infostore as part of the self-assessment process agreed with management.

Table 4 – Status of 2015/16 Priority 1 and 2 Recommendations

Total Number of Recommendations	Total	Implemented	Partly Implemented	Not implemented	Status Unknown
Priority 1	9	4	0	1	4
Priority 2	83	32	0	2	49
Total	92	36	0	3	53

Internal Fraud

- 3.7. Internal fraud refers to fraud committed by employees, agency staff and staff in maintained Schools. For the purposes of this report, "fraud" includes instances of theft, fraud, misappropriation, falsification of documents, undisclosed conflicts of interest and serious breach of financial regulations. Activity for the first quarter of the year to date is shown in table 5 below:

Table 5 – Internal Fraud 2016/17

Internal	2016/17 Q1	2015/16 Q1	2015/16
Open Cases b/f	22	11	21
New Referrals	10	10	42
Closed Cases	10	10	31
Fraud / Irregularity identified (as summarised below)	2	7	9
Dismissal	0	0	3
Resignation	1	2	5
Warning	0	5	1
Other positive outcome (e.g. system improvement, overpayments only)	1	N/A	
Open cases carried c/f	22	33	22

- 3.8. More internal fraud cases were brought forward from quarter 4 of 2015/16 compared to the quarter 4 of 2014/15 (see cases brought forward into Q1 of 2015/16 in table above). The reason for this as a result of joint working with the Single Fraud Investigation Service (SFIS) on internal related NFI cases (i.e. staff benefit fraud matches). Such cases were previously dealt with in-house as a matter of priority. However the Council's Investigation Team is now required to wait for SFIS to determine action on each case following their own investigations and prior to these being passed on to the Team. SFIS takes the lead in determining whether or not there has been benefit fraud and the Team often has to wait for significant periods for these cases to be investigated.

Housing Tenancy Fraud

- 3.9. 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*. Caseload information is set out in table 6 below.

Table 6 – Housing Fraud 2016/17

Housing Fraud	2016/17 Q1	2015/16 Q1	2015/16 Full Year
Open cases b/f	121	150	174
New Referrals	140	73	250
Closed Cases	101	76	314
Fraud Found	13	21	73
Recovered Properties	10	18	63
Applications Refused	0	4	2
Property Size Reduced (Rehousing)	1	1	5
Home Loss payment recovered	0	0	0
Right To Buy	2	2	3
Value of properties recovered*	£180,000	£324,000	£1,134,000
Value of Right to Buy Discount Prevented**	£207,800	£177,700	£90,000
Value of Property Size Reduced	£18,000	£18,000	£281,600
Open cases carried c/f	160	147	121
Cases with Legal for Possession	33	23	18

*Notional value of recovered properties is £18,000

** Actual amount of discount stopped

- 3.10. There are three main reasons why the number of cases found to be fraudulent have fallen compared to the previous financial year. Significant proactive work was carried out during the last quarter of 2015/16 on behalf of Genesis; London & Quadrant and the Hyde Housing Associations with these three proactives requiring the Team to start work on around 200 cases initially. The vast majority of these cases were however identified as being non-fraud cases. The Team also undertook work on behalf of two other Residential Social Landlords (RSLs) on the basis of the Council being able to exercise nomination rights should any recoveries be progressed. With regards to cases with Legal Services, there are delays in cases being dealt with by the service. It should also be noted that the priorities of the Investigations Team has shifted towards prosecuting more cases under Social Housing offences which explains why more cases are with currently with Legal Services. The first prosecution under the Prevention of Social Housing Fraud Act was heard in June this year. The person who was

prosecuted was found guilty on three counts and an illegal profit order is currently being progressed.

Other External Fraud

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

Table 7 – Other External Fraud 2016/17

Other External Fraud	2016/17 Q1	2015/16 Q1	2015/16 Full Year
Open cases b/f	57	18	56
New Referrals	83	9	99
Closed Cases	34	15	62
Fraud / Irregularity	4	0	10
Prosecution	0	0	0
Warning / Caution	1	0	3
Overpayment Identified	1	0	7
Open cases carried c/f	106	12	57

- 3.12. The main reason for external fraud referrals increasing by such significant numbers is because more work has been done to generate referrals on the Council Tax Reduction Scheme (96 cases were referred to the Team with a number of cases being brought forward from the previous year). These matches are being generated by the Brent Benefit's Team who have been proactively matching year-end tax data to benefits data. In addition the Team has carried out proactive work on No Recourse to Public Funds (NRPF) cases (six in total) and more referrals have been generated on Blue Badge fraud for misuse and stolen badges (five in total cases).

4. Financial Implications

- 4.1. 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.

5. Legal Implications

- 5.1. None

6. Diversity Implications

- 6.1. None

7. Background Papers

7.1. None

Contact Officer Details

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Telephone – 07881 284151

CONRAD HALL
Chief Finance Officer

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Internal Audit
1st Internal Audit & Counter Fraud
Progress Report – 2016/17
London Borough of Brent
September 2016

Contents

Page No

Executive Summary	1
Detailed summary of work undertaken	2
Follow-Up of Previously Raised Recommendations	6
Appendix A – Definitions	8
Appendix B – Audit Team and Contact Details	10

Executive Summary

Introduction	This report sets out a summary of the work completed against the 2015/16 and 2016/17 Internal Audit Plan, including the assurance opinions awarded and any high priority recommendations raised. .
Summary of Work Undertaken	<p>The final reports in respect of the 2015/16 period and issued since the last meeting relate to the following areas, with further details of these provided in the remainder of this report:</p> <ul style="list-style-type: none">• Recruitment• Building Control <p>Final Reports certifications grant issued in respect of the 2016/17 financial year to date are as follows:</p> <ul style="list-style-type: none">• Expanded Troubled Families Grant Claim (Payment by Results) – September 2016• Barham Trust Accounts – Independent Auditor’s Report (Account Certification)• Rogue Landlord Grants Determination for 2015/16 Grant Usage (Grant Certified)• Essential User Permits (Staff & Contractors)– Advisory

Detailed summary of work undertaken

FULL / SUBSTANTIAL ASSURANCE REPORTS: 2015/16

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

Audit	Assurance Opinion and Direction of Travel
General Audits	
Recruitment	
Building Control	

2016/17 Audits

Advisory & Non Assurance Work

<p><u>Rogue Landlord Grant Fund 2015/16– S31 Declaration</u></p> <p>New funding was provided by the DCLG to help up to 65 councils tackle rogue landlords who let out substandard homes. Councils were required to bid for funding and following a successful bid, the Council was awarded a sum of £295,000.</p> <p>Councils were allowed to use the funding:</p> <ul style="list-style-type: none">• increase inspections of property• carry out more raids• initiate more enforcement action and prosecutions• demolish sheds and buildings that are prohibited.	<p>Certification of Grant Determination for the 2015/16 Financial Year.</p> <p>Internal Audit was required to confirm that the conditions attached to Rogue Landlord Funding Programme No. 31/2701 had been complied with. We confirmed that the grant conditions had been complied with.</p>
<p><u>Expanded Troubled Families Programme – Certification of September 2016 Payment by Results Claim</u></p> <p>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.</p> <p>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.</p>	<p>Certification of September 2016 Payment By Results Grant Claim</p> <p>A results based payment of £800 is offered for each family for whom the local authority claims to have either (a) achieved significant and sustained progress, or (b) moved off out of work benefits and into continuous employment.</p> <p>As with the previous programme the DCLG requires the local authority's Internal Auditor to check and verify at least a random representative sample of results for each claim before it is made. 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. .</p>

Barham Trust Accounts – Accounts Certification

The council are trustees for the Barham Park buildings and park. The trust is required to produce accounts for the Charities Commission. The accounts require an independent review by a suitably qualified person.

Internal Audit issued an Independent Auditor's Report as required following the review of the accounts and in accordance with Charity Commission requirements.

Essential User Permits (Staff & Contractors) – Non Assurance

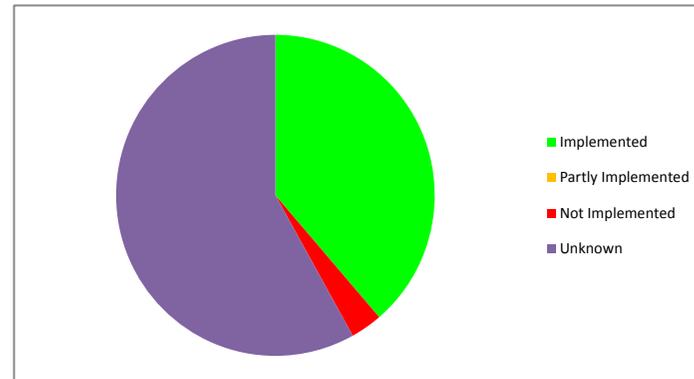
This was advisory work carried out at the request of management.

We undertook a review of the procedures for the application and approval of Essential User Permits including monitoring arrangements for both Council staff and contractors.

**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 92 (9 priority 1 and 83 priority 2 recommendations, 36 (39%) had been either fully or partly implemented. A detailed summary of the performance in respect of implementation of recommendations is detailed in the following section.

Implementation of Recommendations

Follow-Up of Previously Raised Recommendations

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

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

Recommendations are classified as either Implemented (I); Partly Implemented (PI); Not Implemented (NI); or in some cases no longer applicable (N/A), for example if there has been a change in the systems used. Partly implemented recommendations are those assessed as requiring further work in order to meet the objective of the recommendation.

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

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

Number of Priority One Recommendations due	9
Number of Priority Two Recommendations due	83

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

Details	P1	P2	Total
Total Recommendations Due for Implementation as at 31/08/16	9	83	92
Implemented	4	32	36
Partially Implemented	0	0	0
Not Implemented	1	2	3

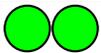
Status Not Updated on Infostore	4	49	53
Total	9	83	92

As part of the follow up process all recommendations have been subject to physical attempts to follow up, this includes emails being sent to recommendation owners, key responsible officers and further escalated more recently to Heads of Service.

Appendix A – Definitions

Audit Opinions

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

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

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

Direction of Travel

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

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

Recommendation Priorities

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

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

Appendix B – Audit Team and Contact Details

London Borough of Brent	Contact Details
Aina Uduehi – Audit Manager	aina.uduehi@brent.gov.uk
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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

 Brent	<p style="text-align: center;">Audit Committee 22 September 2016</p> <p style="text-align: center;">Report from the Chief Finance Officer</p>
For Information	Wards Affected: ALL
Shared service update	

1. Summary

- 1.1 Members will be aware that the council entered into a shared services arrangement for delivery of its internal audit service in October 2015. The arrangement is hosted by the London Borough of Ealing, who also jointly provide audit service to the London Borough of Hounslow.
- 1.2 Since then the committee have been kept apprised of the development of the shared service, as well as the normal and routine progress reports against the audit plan. In particular, Members will be aware that a new contract was let across the three boroughs, with PwC being awarded the contract, which is now being delivered.
- 1.3 However, Steve Tinkler, the head of the shared audit service, has recently left to pursue other opportunities. As an interim measure Brent has appointed Vanessa Bateman, who will be attending the meeting, to manage the Brent part of the engagement. This will allow officers to conduct a brief review of the effectiveness of the shared service.
- 1.4 It was always envisaged that this review would be conducted after the service had operated for about a year. This is normal management practice with any new arrangement, to ensure that the benefits envisaged are being delivered and to address any issues that may have arisen.
- 1.5 It is intended that the results of the review are reported to the next meeting of the audit committee in order to determine the way forward. As with any review, the results are not pre-determined, although clearly the council could, broadly speaking, decide either to:
 - Continue with the shared service arrangement in its current form;
 - Continue with the shared service arrangement but with modifications in order to secure better outcomes; or

- End the arrangement and revert to the previous service configuration (or a variation of this).

2. Recommendations

- 2.1. That the Audit Committee notes the proposed review and comment as appropriate.

3. Financial Implications

- 4.1. There are no specific financial implications associated with this report as the review can be carried out within existing resources. The financial implications will be taken into account in considering the conclusions of the proposed review.

5. Legal Implications

- 5.1. None

6. Diversity Implications

- 6.1. None

7. Background Papers

- 7.1. None

8. Contact Officer Details

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CONRAD HALL
Chief Finance Officer

 <p>Brent</p>	<p>Audit Committee 22 September 2016</p>
	<p>Report from the Chief Finance Officer</p>
<p style="text-align: right;">Wards Affected: ALL</p>	
<p>2016/17 Mid–Year Treasury Report</p>	

1. Summary

1.1 This report updates Members on recent treasury activity.

2. Recommendation

2.1 The Committee is asked to note the 2016/17 mid-year Treasury report, which is to be forwarded to the Cabinet and Council.

3. Detail

Background

3.1 The Council’s Treasury Management Strategy is underpinned by the adoption of the Chartered Institute of Public Finance and Accountancy’s (CIPFA) Code of Practice on Treasury Management 2011, which includes the requirement for determining a treasury strategy on the likely financing and investment activity for the forthcoming financial year.

3.2 The Code also recommends that Members are informed of Treasury Management activities at least twice a year. This report therefore ensures this authority is embracing best practice in accordance with CIPFA’s recommendations.

3.3 Treasury Management is defined as: “The management of the local authority’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

3.4 In addition to reporting on risk management, the Code requires the Authority to report on any financial instruments entered into to manage treasury risks.

Economic Background

- 3.5 Growth rates have slowed across most developed economies in the past six months, though growth in the US continues to be solid. However, the largest uncertainty in the marketplace in the UK continues to be the vote to leave the European Union.
- 3.6 After an initial shock, most indicators seem to have remained reasonably steady, but the uncertainty caused makes it very difficult to foresee the course of events. In particular, business investment is vulnerable to a changing international trade environment.
- 3.7 The weakness of the pound is also likely to be a source of inflationary pressure and this would normally indicate rising interest rates. However, the Bank of England is committed to keep interest rates low to support economic activity. There are likely to be higher levels of volatility in the market until the future of the UK's relations with its major trading partners are resolved. It is widely assumed that interest rates will be lower and inflation higher previously thought.
- 3.8 Gilt yields have been significantly affected by the vote and have fallen to unprecedentedly low levels. Current borrowing rates are positive and the Governor of the Bank of England has expressed reluctance to lower the base rate to or below zero. The table below illustrates the significant change caused by the vote.

PWLB Rates

Period	March 2016	August 2016
1 year	1.3%	1.1%
5 year	1.8%	1.2%
10 year	2.5%	1.6%

- 3.9 The interest rate the Council receives on money market funds has fallen since the vote and 12 month maturities with local authorities have fallen from 0.6% to 0.4%.

Debt Management

- 3.10 The Authority continues to qualify for borrowing at the 'Certainty Rate' (0.20% below the PWLB standard rate). This is reviewed on an annual basis and has been confirmed as applying until 31 October 2016.
- 3.11 Alternative sources of long term funding to long-dated PWLB borrowing are available, but the Council will continue to adopt a cautious and considered approach to funding from the capital markets. The affordability, simplicity and ease of dealing with the PWLB represents a strong advantage but the Council, due to its prudent policies and strong balance sheet, is in a position to consider alternatives, and will start to do so in order to finance the investment strategy. However, no long term loans have been raised so far this year as can be seen in the table below:

	Balance on 01/04/2016 £m	Debt repaid* £m	New Borrowing £m	Balance on 31/08/2016 £m
Short Term Borrowing	0.0	0.0	0.0	0.0
Long Term Borrowing	419.3	1.6	0.0	417.7
TOTAL BORROWING	419.3	1.6	0.0	417.7
Average Rate %	4.76	2.57		4.79

* £34.2m of the PWLB loans are referred to as EIP, whereby the Councils pays down the loans in half-yearly equal installments over the lifetime of the loan.

- 3.12 Affordability remains an important influence on the Council's borrowing strategy. Moreover, any borrowing undertaken ahead of need would need to be invested in the money markets at rates of interest significantly lower than the cost of borrowing and involve credit risk. If interest rates seemed likely to rise in the short-term then this approach might need to be reviewed.
- 3.13 The use of internal resources in lieu of borrowing has continued to be the most cost effective means of funding capital expenditure. This has lowered overall treasury risk by reducing external debt and temporary investments. However this position will not be sustainable over the medium term and the Council will need to give careful consideration to its future capital programme and how this is financed. Borrowing options and the timing of such borrowing will continue to be assessed in conjunction with the Council's treasury advisor, Arlingclose.
- 3.14 The persistence of low interest rates means that it would be uneconomic to reschedule debt, because early retirement of the loan would incur a heavy penalty, to compensate the PWLB for having to lend the money on at lower rates.

Investment Activity

- 3.15 The Council gives priority to security and liquidity and aims to achieve a yield commensurate with these principles.

	Balance on 01/04/2016 £m	Investments Made £m	Investments Repaid £m	Balance on 31/08/2016 £m
Short Term Investments	164.0	583.3	541.7	205.6

- 3.16 There was a £42m movement in short-term investments. This was partially due to an additional Housing Benefit payment of £18m at the end of last year that led to a dip in the cash balance. £186m was the average amount of cash held in 2015/16. The rest of the movement between March 31st and August 31st 2016 was due to a steady flow of capital receipts that will be used to fund the Council's capital programme and the timing of payments and receipts.
- 3.17 Security of capital has been maintained by following the Council's counterparty policy as set out in its Treasury Management Strategy Statement for 2016/17. New investments were made with the following classes of institutions:

A- rated banks;
AAA rated Money Market Funds;
Other Local Authorities;
The UK Debt Management Office.

- 3.18 Counterparty credit quality was assessed and monitored with reference to Credit Ratings (the Council's minimum long-term counterparty rating of A- (or equivalent) across rating agencies Fitch, Standard & Poor's and Moody's); credit default swaps; GDP of the country in which the institution operates; the country's net debt as a percentage of GDP; sovereign support mechanisms; potential support from a well-resourced parent institution; share price. There were two foreign banks on our Lending List, both Swedish (and, therefore, outside the Eurozone), conservatively run and with good ratings and strong financial figures.
- 3.19 All investments in banks and Building Societies are now undertaken by means of marketable instruments (Certificates of Deposit, CDs). This adds a measure of additional liquidity without sacrificing return, given our maturity limits.

Budgeted Income and Outturn

- 3.20 The Council's external interest budget for the year is £23.3m, and for investment income is £1.4m. The Council is unlikely to achieve the income figure, but this is likely to be compensated for by lower borrowing costs than budgeted. The average cash balances, representing the Council's reserves and working balances, were £184m during the period to 31 August 2016.
- 3.21 The UK Bank Rate has been reduced to 0.25% on 4 August, 2016. Short-term money market rates have remained at very low levels and do not, at the moment, appear likely to rise.

Icelandic Bank Investment Update

- 3.22 The Council received £0.4m in August 2016, which means that only £0.2m of the original £10m deposit now remains outstanding. It is expected that a further distribution will be made but this depends on the result of litigation currently under way regarding a property investment.

LOBOs (Lender Option Borrower Options)

- 3.23 Barclays released its lender option rights to alter the rate of interest, at no cost to the Council, in order to comply with Basle III regulations, coming in 2019. This has meant that £15m of LOBOs became fixed interest rate loans. Arlingclose have advised us that it is likely that many of our other lenders may also give up these rights. This has reduced our level of Treasury Management risk.

Compliance With Prudential Indicators

- 3.24 Officers confirm that they have complied with its Prudential Indicators for 2016/17, which were set in February 2016 as part of the Council's Treasury Management Strategy Statement (TMSS). Details can be found in Appendix 1.

Outlook

- 3.25 At the time of writing this activity report in August 2016, economic growth remains slow worldwide, though seems well established in the US. The UK had performed comparatively well with growth led by consumer spending, and investment beginning to grow.

- 3.26 Productivity remains low, though is showing some signs of improvement. However, the prospects for the UK economy are now extremely difficult to forecast. The period of uncertainty following the referendum is likely to last for at least the two year period of notice. It will depend on what terms can be negotiated with the EU, but also with other nations and trading blocs. As a major trading partner, the EU will continue to have a significant influence on the UK economy, however, other countries are likely to develop in importance.

Summary

- 3.27 In compliance with the requirements of the CIPFA Code of Practice, this report provides Members with a summary report of the treasury management activity during the first half of 2016/17. As indicated in this report, none of the Prudential Indicators have been breached and a prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.

4. Financial Implications

These are covered in the report.

5. Diversity Implications

None.

6. Staffing Implications

None.

7. Legal Implications

There are no direct legal implications.

8. Background Papers

Annual Treasury Strategy – Report to Full Council as part of the Budget Report – February 2016.

Contact Officers

Persons wishing to discuss the above should contact Gareth Robinson, Head of Finance, Treasury and Pension Investments Section, Finance, on 020 8937 6567 at Brent Civic Centre.

CONRAD HALL
Chief Finance Officer

Appendix 1

Capital Financing Requirement

Estimates of the Council's cumulative maximum external borrowing requirement for 2016/17 to 2018/19 are shown in the table below (excluding Private Finance Initiative schemes):

	31/03/2016 Draft* £m	31/03/2017 Estimate £m	31/03/2018 Estimate £m	31/03/2019 Estimate £m
CFR	579	577	567	567

*The accounts have not been signed off as of yet, therefore the Draft number remains.

Usable Reserves

Estimates of the Council's level of Usable Reserves for 2016/17 to 2018/19 are as follows:

	31/03/2016 Draft £m	31/03/2017 Estimate £m	31/03/2018 Estimate £m	31/03/2019 Estimate £m
Usable Reserves	97	88	85	84

*The accounts have not been signed off as of yet, therefore the Draft number remains.

Prudential Indicator Compliance

Authorised Limit and Operational Boundary for External Debt

The Local Government Act 2003 requires the Council to set an Authorised Borrowing Limit. This is a statutory limit which should not be breached. The Council's Authorised Borrowing Limit was set at £850m for 2016/17. The Operational Boundary is based on the same estimates as the Authorised Limit but reflects the most likely, prudent but not worst case scenario without the additional headroom included within the Authorised Limit. The Operational Boundary for 2016/17 was set at £750m. The Chief Finance Officer confirms that there were no breaches to the Authorised Limit or the Operational Boundary so far this year; borrowing at its peak was £419m.

Upper Limits for Fixed Interest Rate and Variable Interest Rate Exposure

These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates. The upper limit for variable rate exposure allows for the use of variable rate debt to offset exposure to changes in short-term rates on our portfolio of investments.

	Limits for 2016/17	Maximum during 2016/17
Upper Limit for Fixed Rate Exposure	100%	100%
Upper Limit for Variable Rate Exposure	40%	0%

Maturity Structure of Fixed Rate Borrowing

This indicator is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates.

Maturity Structure of Fixed Rate Borrowing	Upper Limit %	Lower Limit %	Actual Fixed Rate Borrowing as at 31/08/16 £m	% Fixed Rate Borrowing as at 31/08/16	Compliance with Set Limits?
Under 12 months	40	0	44	10	Yes
12 months and within 24 months	20	0	14	3	Yes
24 months and within 5 years	20	0	52	13	Yes
5 years and within 10 years	60	0	7	2	Yes
10 years and above	100	0	301	72	Yes

Net Debt and the CFR

This is a key indicator of prudence. In order to ensure that over the medium term net borrowing will only be for a capital purpose, the Authority should ensure that the net external borrowing does not exceed the total of the CFR in the preceding year plus the estimates of any additional increases to the CFR for the current and next two financial years.

The Authority had no difficulty meeting this requirement so far in 2016/17, nor are there any difficulties envisaged for future years. This view takes into account current commitments, existing plans and the proposals in the approved budget.

Total principal sums invested for periods longer than 364 days

This indicator allows the Council to manage the risk inherent in investments longer than 364 days.

The limit for 2016/17 was set at £20m.

The Council's practice since the onset of the credit crunch in 2007 has generally been to keep investment maturities to a maximum of 12 months. At 31 August, the last maturity date in the deposits portfolio was 20 March, 2017.

Credit Risk

This indicator has been incorporated to review the Council's approach to credit risk. The Council confirms it considers security, liquidity and yield, in that order, when making investment decisions.

Credit ratings remain an important element of assessing credit risk, but they are not the sole feature in the Authority's assessment of counterparty credit risk. The authority

considers the following tools to assess credit risk, with advice and support from our advisers, Arlingclose:

- Published credit ratings of the financial institution and its sovereign;
- Sovereign support mechanisms;
- Credit default swaps (where quoted);
- Share prices (where available);
- Economic fundamentals, such as a country's net debt as a percentage of its GDP;
- Corporate developments, news, articles, markets sentiment and momentum.

The Council can confirm that all investments were made in line with a minimum long term credit rating of A- or equivalent, as set in the 2016/17 TMSS.

HRA Limit on Indebtedness

This purpose of this indicator is for the Council to report on the level of the limit imposed at the time of implementation of self-financing by the Department for Communities and Local Government.

HRA Limit on Indebtedness	31/03/2016 Draft* £m	31/03/2017 Estimate £m	31/03/2018 Estimate £m	31/03/2019 Estimate £m
HRA CFR	137	137	137	137
HRA Debt Cap (as prescribed by CLG)	199	199	199	199
Difference	62	62	62	62

*The accounts have not been signed off as of yet, therefore the Draft number remains.

 <p>Brent</p>	<p>Audit Committee 22 September 2016</p> <p>Report from the Strategic Director – Community Wellbeing</p>
<p>For Action Wards affected: All wards</p>	
<p>Local Government Ombudsman’s investigation into a complaint against London Borough of Brent -Ref 14019 234</p>	

1.0 Summary

1.1 This report relates to the Housing Needs Service’s and Brent Housing Partnership’s handling of a BHP tenant’s request for urgent rehousing due to domestic violence. Ealing further delayed in processing the case when it was referred to them.

2.0 Recommendations

2.1 That the Committee note the decision of the Local Government Ombudsman.

3.0 Detail

3.1 The Local Government Ombudsman issued the enclosed joint report against the London Boroughs of Brent and Ealing on 8 August 2016. The report relates to the Housing Needs Service’s and Brent Housing Partnership’s handling of a BHP tenant’s request for urgent rehousing due to domestic violence. Ealing further delayed in processing the case when it was referred to them.

3.2 The complaint was initially investigated within the Council’s complaints procedure. The Council’s final review response to the complaint, in July 2015, accepted that there had been fault that caused injustice to the complainant, apologised to her, awarded her compensation, and outlined a number of service improvement measures that would be implemented to prevent a similar

situation recurring. Nevertheless, the Local Government Ombudsman decided to issue a report when the complainant referred the complaint to them.

3.3 The Local Government Ombudsman's covering letter with the report, dated 8 August 2016, made a number of significant points. Dr Jane Martin, the Local Government Ombudsman, said in this letter:

3.4 'I agree we have seen no evidence of a systemic failure to provide housing advice and services to victims of domestic violence.'

3.5 'I also accept we made no criticism of the Council's investigation of Ms X's complaint.'

3.6 Dr Martin therefore justified the issuing of the report for this reason: 'there is a wider public interest in publishing a report because this case highlights the importance of effective partnership working between councils when they are dealing with a vulnerable person.'

The report outlined a number of recommendations, outlined in the final sections (75-77) which the Housing Needs Service is implementing.

4.0 Financial Implications

4.1 None.

5.0 Legal Implications

5.1 None.

6.0 Diversity Implications

6.1 None.

7.0 Staffing/Accommodation Implications (if appropriate)

7.1 None.

Background Papers

Local Government Ombudsman decision notice

Contact Officers

Further background information can be obtained from Martin Stollery,
Principal Complaints Service Officer

Tel: 020 8937 1029 or 020 8937 2444

Email: martin.stollery@brent.gov.uk or complaints.service@brent.gov.uk

Phil Porter
Strategic Director - Community Wellbeing

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Report by the Local Government Ombudsman

Investigation into a complaint against London Borough of Brent (ref: 14 019 234) and London Borough of Ealing (ref: 15 016 582)

8 August 2016

The Ombudsman's role

For 40 years the Ombudsman has independently and impartially investigated complaints. We effectively resolve disputes about councils and other bodies in our jurisdiction by recommending redress which is proportionate, appropriate and reasonable based on all the facts of the complaint. Our service is free of charge.

Each case which comes to the Ombudsman is different and we take the individual needs and circumstances of the person complaining to us into account when we make recommendations to remedy injustice caused by fault.

We have no legal power to force councils to follow our recommendations, but they almost always do. Some of the things we might ask a council to do are:

- > apologise
- > pay a financial remedy
- > improve its procedures so similar problems don't happen again.

Investigation into complaint number 14 019 234 against London Borough of Brent and complaint number 15 016 582 against London Borough of Ealing

Contents

Report summary.....	1
Introduction	3
Legal and administrative background	3
How we considered this complaint.....	5
Investigation	5
Conclusions.....	11
Decision	12
Recommendations	12

Section 30 of the 1974 Local Government Act says that a report should not normally name or identify any person. The people involved in this complaint are referred to by a letter or job role.

Key to names used

Ms X	the complainant
Ms Y	her representative
Officer A	(Brent)
Officer B	(Brent)
Officer C	(Brent)
Officer D	(Ealing)
Officer E	(Brent)

Report summary

Housing - allocations

Ms X complained about Brent Council's failure to provide timely and sensitive assistance when she needed to be rehoused due to domestic violence.

She also complained about Ealing Council's failure to make a timely decision when Brent Council referred her under a reciprocal housing scheme for victims of domestic violence. The Council took eleven weeks to make a decision which should have been made within five days. Ms X also complains about the Council's decision to reject the referral and its failure to communicate with her and her representative.

A reciprocal rehousing agreement intended for rehousing victims of domestic violence did not work effectively. Ms X suffered avoidable uncertainty and distress at a very difficult time in her life due to both Councils' failings.

Finding

Fault found causing injustice and recommendations made.

Recommendations

Within three months of the date of this report, **Brent Council** should:

- pay Ms X £750 for the distress and anxiety caused by its delays and insensitive handling of her housing needs;
- pay £250 to Ms X's representative who has supported her since June 2014 and helped her pursue the complaint with the Council;
- arrange for a senior manager to write directly to Ms X to apologise for the way the Council treated her;
- provide refresher training for front-line staff in the Housing Options service about the domestic violence procedure and joint working with Brent Housing Partnership (BHP) when the victim is a Council tenant; and
- provide evidence that it has reviewed the liaison and joint working arrangements between BHP and Housing Options and addressed any shortcomings.

Within three months of the date of this report, **Ealing Council** should:

- pay Ms X £600 for the distress and anxiety caused by its delay in making a decision on the referral and its failure to communicate with her and her representative;
- arrange for a senior manager to apologise in writing to Ms X for the poor handling of her case;

- arrange for a designated officer to act as a central contact point to log and monitor the progress of all referrals made under the reciprocal scheme and report back to the Head of Service when cases have not been decided within the five day timescale;
- review with its partners in the West London Housing Partnership and the scheme co-ordinator the protocol for the reciprocal scheme to make it clear that the applicant must be in priority need ; and
- report the outcome of that review to us.

We are pleased to note that both councils accepted our findings and our recommendations for a remedy. Although there was no evidence of systemic faults, we decided it was in the wider public interest to publish this report to highlight the injustice that can be caused to a vulnerable person when partnership arrangements do not work effectively.

Both councils should confirm they have taken the agreed action within three months of the date of this report.

Introduction

1. Ms X is a Brent Council tenant. Brent Housing Partnership (BHP) provides the housing management service on behalf of the Council.
2. Ms X has experienced domestic violence from her former partner for some years. In August 2014 she approached Brent Council to ask for assistance to move out of the borough for her own safety.
3. Ms X has complained to us about action taken by Brent Council and Ealing Council. She complains that Brent Council failed to provide adequate, timely and sensitive support when she asked to be rehoused because of domestic violence.
4. Ms X complains that Ealing Council delayed in making a decision on a referral Brent Council made under a reciprocal scheme for housing victims of domestic violence in other West London boroughs. She also complains that Ealing Council did not explain its reasons for rejecting the referral and it failed to communicate with her and her representative between November 2014 and February 2015.

Legal and administrative background

5. The Ombudsman investigates complaints about ‘maladministration’ and ‘service failure’. In this report, we have used the word fault to refer to these. We must also consider whether any fault has had an adverse impact on the person making the complaint. We refer to this as ‘injustice’. If there has been fault which has caused an injustice, we may suggest a remedy. (*Local Government Act 1974, sections 26(1) and 26A(1)*)

Brent’s Housing Needs service – guidance on cases involving domestic violence

6. Brent Council’s Housing Needs service has a domestic violence procedure to provide guidance to front-line staff who handle cases involving domestic violence. It puts emphasis on the need for officers to take a victim-centred approach and offer comprehensive and accurate advice to all victims. The safety of the applicant should be paramount. It says officers should work closely and effectively with landlords and other agencies to provide a comprehensive service to victims.
7. There are several service commitments. All victims must be interviewed in a private room on the day they approach the service. A domestic violence form must be completed and placed in the case records. The interviewing officer should ask the victim if incidents have been reported to the police or other agencies and take details. Officers are expected to explain all the available housing options to the victim and keep him or her informed of action taken and decisions made. If the victim is a Council tenant, the officer should ask for details of the housing officer who manages the property. It also says officers should discuss the West London reciprocal scheme with eligible tenants. If the victim has nowhere safe to stay, the officer should discuss the need for temporary accommodation with the duty manager.

Homelessness duties

8. A person is deemed to be homeless if it is likely that continued occupation of a property will lead to domestic or other violence against him or her. Violence includes threats of violence which are likely to be carried out. [**Housing Act 1996, section 177(1)**]. A homeless person must be in priority need to be owed the main housing duty under Part 7 Housing Act 1996. This means the Council must secure accommodation for that person.
9. A person who is vulnerable as a result of ceasing to occupy accommodation because of violence or threats of violence is in priority need. (**The Homelessness (Priority Need for Accommodation) (England) Order 2002**.) This provision was intended to help people without children who had been subject to domestic or other violence. To qualify under this category, the applicant must have actually left the accommodation because of violence or threatened violence.
10. A person who is vulnerable as a result of old age, mental illness, a learning or physical disability, or some other special reason, is also in priority need.

The West London Domestic Violence Reciprocal Scheme

11. Seven borough councils, including Brent and Ealing, are members of the West London Housing Partnership. The seven boroughs have adopted a protocol, known as the West London Domestic Violence Reciprocal Scheme, to prevent social housing tenants who have experienced domestic violence from losing security of tenure and having to make homelessness applications and move to temporary accommodation. The boroughs approved the current version of the reciprocal scheme agreement in December 2013.
12. A scheme co-ordinator maintains a rota to make sure referrals are fairly distributed between the seven boroughs. A referral must be made to the next borough on the rota and it is not possible to make simultaneous referrals to more than one borough.
13. Where the victim is a council tenant, an officer in the home borough assesses the risk to the tenant as if they were considering a homelessness application. An officer will decide if there is reason to believe the applicant may be homeless because of the risk of domestic violence and needs to move out of the borough. In these circumstances the officer will discuss with the applicant which other boroughs in the scheme are safe. The officer should then tell the applicant about the option of making a homelessness application or being referred to the reciprocal scheme. If the applicant opts for the reciprocal scheme, the home council contacts the scheme co-ordinator to check the next safe borough on the rota. The home borough then sends a referral form, with any supporting or background evidence, to a designated contact officer in the next safe borough on the rota. The applicant cannot choose the borough.
14. Within five days the receiving borough must decide whether to accept or reject the referral. If it does not accept the referral, it must give reasons. All reciprocal referrals must be agreed by the home borough and the receiving borough. The reciprocal scheme agreement says there is limited capacity to refuse reasonable requests for referrals because all seven boroughs have signed up to the protocol. It says where the home

borough is satisfied the applicant is homeless due to domestic violence, it is expected reciprocals will be agreed unless the applicant needs a property with four or more bedrooms in keeping with the West London Housing Partnership.

15. The scheme agreement, and the flowchart showing the stages in the referral procedure, do not refer to an assessment of the applicant's priority need. But the scheme co-ordinator confirmed all the participating boroughs understood and agreed that the assessment would be similar to a homelessness assessment carried out under Part 7 of the Housing Act 1996. So this includes an assessment about whether the applicant is in priority need. The agreement says any disputes between the home and receiving boroughs should be settled by the service manager or the scheme co-ordinator.
16. When a reciprocal is agreed, the receiving borough places the tenant in the highest priority - Band A or equivalent - on the choice-based lettings scheme for three months. It makes a direct offer of accommodation as soon as possible and within three months. The tenant surrenders the tenancy in the home borough on accepting a suitable offer of accommodation from the receiving borough.

How we considered this complaint

17. This report has been produced following the examination of relevant files and documents provided by both councils. We have discussed the complaints with Ms X's representative.
18. The complainant, her representative and both Councils were given a confidential draft of this report and invited to comment. The co-ordinator of the West London Domestic Violence Reciprocals Scheme was also invited to comment on the draft report. The comments received were taken into account before the report was finalised.

Investigation

19. Ms X is a single woman with no dependent children. She is a Brent Council tenant. Ms X has been subjected to abuse, threats and violence by her ex-partner for some years. Since she ended the relationship in 2014, he has stalked, harassed and threatened her. His last known address was in Brent and he has several friends and associates who live in the area.
20. Ms X is being treated for stress and depression and has a long-standing condition which affects her physical health. Ms Y says she suffers from Post Traumatic Stress Disorder.
21. In June 2014 Ms X approached a Women's Centre for help with the longstanding abuse and violence. A volunteer at the Centre, Ms Y, tried unsuccessfully to find Ms X a place in a refuge.
22. In early July 2014 Ms Y wrote a letter of support for Ms X which gave a detailed account of the history of abuse and violence. She said Ms X's ex-partner had made several threats to harm her, her elderly father and her pet dog. He had threatened to set fire to her home, sent threatening text messages and verbally abused and physically assaulted her. She had reported several incidents to the police during 2013 and 2014.

23. On 7 August 2014 Officer A, a housing adviser in Brent Council's Housing Options Service, interviewed Ms X. Ms X showed the officer various documents including medical evidence, Ms Y's letter and a victim care card issued by the police. She also provided a rent account statement and Council Tax as proof of her address.
24. Ms X says Officer A interviewed her in the public area of the office and did not offer to see her in a private room. Officer A did not ask Ms X to complete a fear of violence form. He did not explain the full range of available housing options. Ms Y says Officer A asked Ms X if she had photographs of her injuries.
25. Officer A no longer works for the Council. His notes of the 7 August interview say Ms X's ex-partner had threatened to kill her about two weeks before the interview. He noted that Ms X's ex-partner constantly contacted her. He had visited her home and banged on the door that morning and she had called out the police. He noted the name of the investigating police officer and the crime reference number. He did not complete the rest of the form to summarise the advice he gave Ms X or the agreed action plan. Ms X says Officer A told her she would have to surrender her tenancy. This is not mentioned in Officer A's record of the interview.
26. Officer A spoke to a police officer later the same day who said Ms X would probably be classified as a "medium risk". According to his notes Ms X decided to return to her property while the Housing Options service investigated her case. She did not ask for emergency accommodation. The case notes do not record whether Officer A asked Ms X for photographic evidence. According to his notes Ms X had refused an offer of emergency accommodation made by the police because she could not take her pet dog there. Ms Y says that is wrong. She says she refused the offer of a place in the refuge because she provides daily care for her elderly parents and needs to live near them.
27. On 8 August Officer A called Brent Housing Partnership to ask about a management transfer for Ms X but he could not get through to anyone. He also tried to speak to the police detective who was investigating the case to ask if a risk assessment had been completed but the detective was not on duty.
28. Ms X says Officer A told her he would contact her the day after the interview but she did not hear from him again. Officer A left the Council's employment shortly after his interview with Ms X and the case was not reassigned.
29. Ms X and her representative contacted Brent Housing Needs service to chase progress. On 22 August a Team Leader asked another Housing Options officer, Officer B, to take over the case. He sent Ms X a fear of violence form to complete.
30. On 20 August the police referred Ms X to an independent agency that does crisis intervention work and supports and advises victims of domestic violence. The agency did a risk assessment and decided to refer Ms X's case to Brent Multi Agency Risk Assessment Conference (MARAC).
31. On 27 August Ms X returned the fear of violence form to the Council. She clearly stated she could not be rehoused in Brent because her ex-partner had contacts and links

throughout the borough. She said her ex-partner continued to threaten her and had managed to evade the police who were trying to arrest him. She said he watched her flat and had threatened her at her home on 26 August. He continued to make threats although he knew the police were intending to arrest him. She attached evidence from the police supporting her request for rehousing out of the borough and letters from her GP and Ms Y.

32. On 27 August Officer B recorded in the case notes “BHP to do reciprocal”. Officer B sent an email to three officers in BHP to explain Ms X had not been able to contact her housing officer. He said Ms X needed to move and another West London Council had indicated it was willing to accept Ms X for a reciprocal move if BHP contacted them. He asked BHP to contact Ms X.
33. In her letter Ms Y said one of her colleagues had contacted another London borough on 14 August to enquire about Ms X moving to its area. That borough explained Brent had to initiate the referral under the reciprocal scheme. Ms Y expressed concern about the impact on Ms X’s health and said she felt like a prisoner in her home. She said Ms X did not want to move into a women’s refuge.
34. On 11 September Ms X made an online application to join Brent Council’s Housing Register. She explained she needed to move because of domestic violence.
35. On 17 September Brent Council’s Rehousing team wrote to tell Ms X she did not have any identified housing need. She was placed in Band D which meant she could not bid for properties advertised through the Locata choice-based lettings scheme.
36. On 18 September the police arrested Ms X’s ex-partner and charged him with stalking. He was remanded in custody until October.
37. In September Officer B spoke to Ms Y’s colleague and Ms X about a possible referral under the West London reciprocal scheme. The next two councils on the rota were Hammersmith and Fulham and Hounslow. Ms X said she could not move to those boroughs because her ex-partner has family members and associates in those areas. She said she could only move to two other boroughs in West London (one of which was Ealing).
38. On 22 September the Brent MARAC considered Ms X’s case. It has representatives from statutory and voluntary agencies, including the police. On 25 September a police detective sent an email to Officer B to say MARAC had decided Ms X was at high risk of domestic violence. “High risk” cases are those where the victim is considered to be at risk of serious harm or death. He said her ex-partner had threatened to burn her flat down and cut her throat. He also said her ex-partner had links throughout Brent, Hammersmith and Fulham and Hounslow so it was not appropriate for Ms X to be moved to those areas.
39. On 25 September Ms X spoke to Officer B. She said she would discuss with her support worker whether to apply for a management transfer or a reciprocal move. On 26 September Officer B contacted Officer E, a Team Leader in the Housing Needs service who attends the MARAC meetings. He had just remembered Locata was not

advertising properties on the cross-borough section so Ms X had no chance of making a successful bid for a property in another borough.

40. On 29 September Officer E contacted Officer B and his manager to ask them to check with the co-ordinator of the West London reciprocal scheme whether Ms X could be referred to the next borough on the rota. There is no record of any response. No further action was taken to pursue a move under the reciprocal scheme until November.
41. On 15 October Ms X requested a review of the decision to place her in Band D on Locata. She explained her case had been considered by MARAC. She also asked an officer at Brent Housing Partnership to intervene to get her banding reconsidered.
42. On 28 October Ms X's ex-partner was released from prison which increased the risk to her safety. Ms X says her next door neighbour, who is a friend of her ex-partner, began to shout at her and behave in an intimidating manner following his release.
43. On 30 October an advocate from a domestic violence agency sent an email to Ms X's housing officer at Brent Housing Partnership. She enclosed a copy of the risk assessment for Ms X. She confirmed MARAC had agreed an officer from Brent Housing Options would speak to an officer at another West London council about nominating her through the reciprocal scheme. She said it was vital to rehouse Ms X as soon as possible.
44. During October the housing officer at BHP made further email enquiries to the police and the domestic violence advocate. She asked for more information to help its Allocations Panel consider Ms X's request for a management transfer. The Panel was due to meet on 3 November. It seems the Housing Options service had not shared with BHP the information the police detective had already sent on 25 September about the MARAC decision.
45. On 3 November the BHP Allocations Panel considered a management transfer report presented by Ms X's housing officer. It summarised the background history of domestic violence and noted Ms X's ex-partner had recently been released from prison. It noted Ms X's wish to move to a particular borough in West London. Evidence from the police and the domestic violence agency was presented to the Panel.
46. On 5 November the BHP housing officer wrote to Ms X to say her application for a management transfer had been refused because she wanted to move out of Brent. She said Officer B would now ask a manager in the Housing Options service to make a referral for rehousing under the West London reciprocal housing scheme.

Referral to Ealing under the West London DV reciprocal scheme

47. On 11 November Brent contacted the scheme co-ordinator to ask which borough was next on the rota taking into account police advice that it was not safe for Ms X to move to Hammersmith and Fulham or Hounslow. On the same day the scheme co-ordinator informed Brent that Ealing was next on the rota.

48. On 19 November Officer B sent a referral form to Ealing Council asking it to consider Ms X under the reciprocal scheme. He confirmed Ms X could not be rehoused in Brent on the advice of the police. Brent did not send any supporting evidence with the form.
49. A designated officer in Ealing received the request and allocated it to a case officer, Officer D, on 24 November. He also invited Ms X to attend an appointment with Officer D.
50. Officer D interviewed Ms X on 27 November 2014. Ms X told the officer she felt she would not be safe in one particular part of Ealing because her ex-partner visited the area. The officer agreed to speak to her domestic violence advocate. Officer D noted on a form that Ms X suffered from a heart problem but she did not record her other medical conditions or ask Ms X any questions about priority need during the interview.
51. Officer D took no further action until 19 December when she spoke to the domestic violence advocate about Ms X's concerns about her safety in one part of the borough. The advocate did not know Ms X was at risk in that area. Officer D also discussed the case with a team manager in Housing Solutions. He was one of the designated officers who handle referrals made under the West London reciprocal scheme. Officer D told the team manager Ms X was a single applicant and had no established priority need. The team manager sought further advice from the Service Head. He then advised Officer D to contact Brent to find out whether Ms X was in priority need.
52. No further progress was made because Officer D was on leave and only worked for two more days until 3 January. The Council accepts it failed to meet the five day timescale for making a decision on the referral. It accepts this was unsatisfactory and it should have arranged for the case to be reassigned in Officer D's absence.
53. On 29 January Officer D resumed work on the case. She tried to speak to Officer C, the Brent officer who made the referral, to discuss whether Ms X was in priority need but he was not available. So she sent an email asking whether Brent had checked Ms X was in priority need because she is single and does not have a dependent child.
54. Ms X, her representative Ms Y and Brent Council officers had contacted Ealing many times throughout December and January to chase up a decision on the referral. On 14 January one of the Ealing team managers apologised to Ms Y for the delay. He said a colleague would soon contact Ms X. In early February a Brent officer contacted the scheme co-ordinator because it was still waiting for Ealing to make a decision.
55. On 2 February the scheme co-ordinator contacted the Head of Service at Ealing to remind her of the five day target response time. On the same day the Head of Service spoke to Officer D and she replied to Brent later the same day. She said Ealing was likely to refuse the referral on the grounds that Ms X was not a person in priority need for a homelessness acceptance under Part 7 Housing Act 1996. She said unless Brent provided new information about priority need by 3 February that would be Ealing's final decision.
56. Brent did not provide any further information so Ealing confirmed its decision to reject the referral because it did not consider Ms X was in a priority need group. On 4 February Ms

Y wrote to Brent to say she did not understand the reasons for the refusal. She said she felt Ms X had been badly let down and Ms X no longer wished to move to Ealing.

57. Ealing Council accepts it was at fault not to make a decision within the five day timescale. It accepts this caused Ms X avoidable distress because she could not be referred to another authority until it made a decision on the referral. It has offered to apologise and pay Ms X £500 to recognise the distress this caused.
58. Ealing Council does not consider it was fault to reject the referral. The Head of Service co-wrote the original protocol for the West London DV reciprocal scheme and she represents the borough at the West London Housing Partnership meetings. She says one of the guiding principles of the scheme is that boroughs will consider referrals by applying the homelessness acceptance criteria set out in Part 7 Housing Act 1996.
59. Brent referred Ms X to Ms X's preferred borough after it received Ealing's decision. On 12 March 2015 that borough accepted the referral. It awarded Band A priority under its allocations scheme. This happened seven months after Ms X had first approached Brent for assistance with rehousing.
60. Ms X is still seeking accommodation in her preferred borough. She refused some offers made by the Council because she considered the properties were unsafe and unsuitable.

Ms X's complaint to Brent Council

61. On 3 February 2015 Ms Y made a complaint to Brent Council on behalf of Ms X about the way it had handled the case since August 2014.
62. On 3 March Ms Y and Ms X met three BHP managers and a manager from the Housing Options team to discuss her complaint and the way forward. One of the managers apologised for BHP's poor handling of her case and the lengthy delays. Two days later the Housing Options manager wrote to Ms X to explain all the housing options available to her. He explained very few properties were advertised in the cross-borough section of the choice based lettings scheme so her chances of being rehoused in another borough by bidding on Locata were very poor. A management transfer within Brent was not suitable because the police had advised she was not safe in the borough. He said the Council could make a new referral to the next safe borough on the West London DV reciprocal scheme rota now Ealing had made a decision. He also outlined the benefits and disadvantages of making a homelessness application to Brent or another borough and the option of pursuing a mutual exchange. This was the first time Brent had clearly explained to Ms X the full range of housing options.
63. Ms Y pursued the complaint to Stage Two of Brent's complaints procedure. The Chief Executive noted Ms X had not wanted to move to emergency temporary accommodation in August 2014. She did not want to lose security of tenure or give up her dog. The Chief Executive accepted there had been delays and confusion between August 2014 and March 2015. She said BHP and the Housing Needs service had been asked to make service improvements and review arrangements for reallocating domestic violence cases when officers leave the council. She apologised for the frustration and distress Ms X had

suffered due to these oversights and delays. Following further representations from Ms Y, the Council increased its offer of compensation from £500 to £600.

Conclusions

64. Ms X is a vulnerable woman who was badly let down by both councils at a time when she needed timely and sensitive support and advice to help her move away from her abusive former partner.

Brent Council

65. There was fault in the way Officer A carried out the first interview on 7 August 2014. He did not follow the domestic violence procedure. He did not explain all the housing options to Ms X or discuss the West London DV reciprocal scheme. He did not ask Ms X to complete a fear of violence form. The notes were brief and no action plan was agreed. He did not contact her again before he left the Council.
66. There was some confusion in August 2014 about whether Housing Options or BHP were responsible for taking the lead on making a referral to the West London reciprocal DV scheme. According to the case notes, Ms X's preferred borough would have been willing to consider a reciprocal referral then but that did not happen because BHP and Housing Options did not work together effectively.
67. By September MARAC had considered Ms X's circumstances and decided she was a high risk case. This information was shared promptly with the Council but it did not lead to any sense of urgency in handling her case. The decision to invite BHP to prepare a management transfer report to present to the Allocations Panel led to a further two months' delay. The Council already knew it was not safe for Ms X to move to another property in Brent. Officer B had stated to a colleague that there were very few opportunities to get rehoused in another borough using the choice-based lettings scheme. So it is hard to understand why officers pursued the option of a management transfer by BHP when it should have been apparent that this would not meet Ms X's housing needs.
68. Following the BHP Panel's decision, Brent decided to make a referral to Ealing using the reciprocal scheme. Ealing was at fault because it took far too long to make a decision. But Brent must accept some responsibility for the delay because its officers did not contact Ealing to chase a response to the referral until January 2015. They failed to act on several earlier requests from Ms Y and Ms X to contact Ealing.
69. Overall the Council failed to provide Ms X with the victim-centred approach and support that its policy requires. It was left to Ms X and Ms Y to keep contacting officers to find out what was happening. Ms X was left in a state of uncertainty for seven months. We accept Ms X could have asked the Council at any time for emergency accommodation if she felt it was too unsafe for her to remain in the flat. So the threats and harassment she experienced from her ex-partner during this period were not a direct consequence of the faults we have identified. Nevertheless Ms X was a vulnerable woman and the Council's actions caused her serious distress, and prolonged the uncertainty about her housing situation, for seven months. This undoubtedly took its toll on Ms X's health and wellbeing.

Ealing Council

70. The Council took eleven weeks to make a decision on the referral. It did not inform Ms X, her representative or Brent Council of the reasons for the delay. The failure to adhere to the five day timescale in the reciprocal agreement was fault.
71. Ms X could not be referred to another borough under the reciprocal scheme until Ealing made its decision. So that delayed the referral to Ms X's preferred borough by just over two months. That caused Ms X injustice because it prolonged the uncertainty and added to her distress at a very difficult time in her life.
72. The August 2013 DV reciprocal agreement does not explicitly say the receiving borough may reject a referral if it does not consider the applicant is in priority need. The lack of clarity in the agreement is fault. Ealing and the scheme co-ordinator both accept there is a need to review and clarify the wording. They have agreed to carry out this work with the other member boroughs at a meeting of the West London Housing Partnership.
73. All the participating boroughs assess applicants using the same criteria as for homelessness applications. Having considered the comments made by Ealing and the scheme co-ordinator, it was not fault for Ealing to reject the referral because it did not consider Ms X was in priority need. In any event Ms X had expressed concerns in an interview with an Ealing officer that it was not safe for her to move to a certain area within the borough. So the decision to reject the referral did not cause her a significant injustice.

Decision

74. We have completed our investigation into this complaint. There was fault by both councils which caused injustice to Ms X. The councils should take the action identified in paragraphs 75 and 76 to remedy that injustice.

Recommendations

75. Within three months of this report being issued, **Brent Council** should:
- pay Ms X £750 for the distress and anxiety caused by its delays and insensitive handling of her housing needs;
 - pay £250 to Ms Y who has supported Ms X since June 2014 and helped her pursue her complaint with the Council;
 - arrange for a senior manager to write to Ms X to apologise for the way the Council has treated her;
 - provide refresher training for front-line staff in the Housing Options service about the domestic violence procedure and joint working with BHP when the victim is a Council tenant; and

- provide evidence that it has reviewed the liaison and joint working arrangements between BHP and Housing Options and addressed any shortcomings.

76. Within three months of this report being issued, **Ealing Council** should:

- pay Ms X £600 for the distress and anxiety caused by its delay in making a decision on the referral and its failure to communicate with her and her representative;
- arrange for a senior manager to apologise in writing to Ms X for its poor handling of her case;
- arrange for a designated officer to act as a central contact point to log and monitor the progress of all referrals made under the reciprocal scheme and report back to the Head of Service when cases have not been decided within the five day timescale;
- review with its partners in the West London Housing Partnership and the scheme co-ordinator the agreed protocol for the reciprocal scheme to make it clear that the applicant must be in priority need; and
- report the outcome of that review to me.

77. We are pleased to note that both councils have accepted our recommendations to remedy the complaint. They should confirm they have taken the action within three months of the date of this report.