



## Audit Committee

**Wednesday 3 March 2010 at 7.30 pm**

Committee Room 4, Brent Town Hall, Forty Lane  
Wembley HA9 9HD

### Membership:

#### Members

Councillors:

Cummins (Chair)  
H M Patel (Vice-Chair)  
Butt

#### First alternates

Councillors:

Dunn  
H B Patel  
John

#### Second alternates

Councillors:

Pagnamenta  
Detre  
Beswick

**For further information contact** Maureen O'Sullivan, Democratic Services Officer

For electronic copies of minutes, reports and agendas, and to be alerted when the minutes of this meeting have been published visit: [www.brent.gov.uk/committees](http://www.brent.gov.uk/committees)

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

# Agenda

Introductions, if appropriate.

Apologies for absence and clarification of alternate members

Item	Page
<b>1</b>	
<b>Declarations of personal and prejudicial interests</b>	
Members are invited to declare, at this stage of the meeting, any relevant financial or other interest in the items on this agenda.	
<b>2</b>	
<b>Deputations</b>	
<b>3</b>	
<b>Minutes of the previous meeting</b>	1 - 6
<b>4</b>	
<b>Matters arising</b>	
<b>5</b>	
<b>Audit Commission documents</b>	7 - 106

This report includes the following documents, produced by the Audit Commission in their role as the Council's external auditors:

- (i) Appendix 1 - Progress Report March 2010  
This briefs the Audit Committee on work currently being planned or undertaken by the Audit Commission. It includes a commentary on International Financial Reporting Standards (IFRS) and a mandatory letter to the Audit Committee regarding its response to fraud and other matters.
- (ii) Appendix 2 - Certification of Claims and Returns – Annual Report February 2010  
This report summarises the significant issues from the Audit Commission certification of grant claims for 2008/09.
- (iii) Appendix 3 - Annual Audit Letter December 2009  
This report summarises the findings from the 2008/09 audit. It includes issues arising from the audit of the financial statements and assesses the arrangements to secure value for money in Brent's use of resources.
- (iv) Appendix 4 - Audit Opinion Plan February 2010  
The plan sets out the proposed audit work to undertake for the audit of financial statements 2009/10. The plan is based on the Audit Commission's risk based approach to audit

planning and reflects:

- audit work specified by the Audit Commission for 2009/10;
- current national risks relevant to local circumstances; and
- local risks

(v) Appendix 5 - Pension Fund Opinion Plan February 2010

The plan sets out the proposed audit work to undertake in relation to the audit of financial statements 2009/10 for Brent Council's Pension Fund accounts. The plan is based on the Audit Commission's risk-based approach to audit planning which assesses:

- current national risks relevant to local circumstances; and
- local risks and improvement priorities.

(vi) Appendix 6 - Human Resources Follow Up January 2010

This plan sets out progress made since previous reviews carried out in 2005 and 2008.

<b>6</b>	<b>International Financial Reporting Standards</b>	107	-
		114	

Local Authorities are required to convert their accounts to being based upon International Financial Reporting Standards from UK Generally Accepted Accounting Practice. The report sets out the process for the transition, highlights the key changes, and summarises progress to date.

<b>7</b>	<b>Treasury Management Strategy and Annual Investment Strategy</b>	115	-
		142	

This report sets out the Treasury Management Strategy and Annual Investment Strategy, and outlines current treasury market developments.

<b>8</b>	<b>Internal Audit Progress Report April 2009 to January 2010</b>	143	-
		206	

This report identifies the internal audit reports issued since December 2009 and provides a summary of the work of Internal Audit for the period from 1 April 2009 to 31 January 2010.

## 9 Internal Audit Plan for 2010/11

207 -  
228

The purpose of this report is to advise the Audit Committee of the first draft of the proposed Internal Audit Plan for 2010/11. All Local Authorities are required to make proper provision for Internal Audit in line with the 1972 Local Government Act and the Accounts and Audit Regulations 2003 (as amended). The CIPFA Code of Practice on Internal Audit in Local Government requires the proper planning of audit work.

## 10 Any other urgent business

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

## 11 Date of next meeting

The date of the next meeting of the Audit Committee will be confirmed by Full Council in May 2010.



- Please remember to **SWITCH OFF** your mobile phone during the meeting.
- The meeting room is accessible by lift and seats will be provided for members of the public.
  - Toilets are available on the second floor.
  - Catering facilities can be found on the first floor near the Paul Daisley Hall.
  - A public telephone is located in the foyer on the ground floor, opposite the Porters' Lodge



## LONDON BOROUGH OF BRENT

### MINUTES OF THE AUDIT COMMITTEE Thursday, 17 December 2009 at 7.30 pm

PRESENT: Councillor Cummins (Chair), Councillor HM Patel (Vice-Chair) and Councillor Butt

1. **Declarations of Personal and Prejudicial Interests**

None declared.

2. **Minutes of the Previous Meeting held on 24 September 2009**

RESOLVED:-

that the minutes of the previous meeting held on 24 September 2009 be approved as an accurate record of the meeting.

3. **Matters Arising**

None.

4. **Audit Commission's Progress Report**

Gary McLeod (Audit Commission) introduced the report and summarised the work undertaken by the Audit Commission since the last report to the Committee in September 2009. He advised Members that work on Use of Resources had been completed, with a final score of three achieved for Managing Finances and two for Governing the Business and Managing Resources respectively. Other activities included completion of the Accounts memorandum, certification of 11 grant claims prepared by the Council and the agreement of the 2008/09 Annual Audit Letter. Work on the 2009/10 audit was underway, and the draft supplementary opinion plan would be submitted at the next meeting following a review of organisational and system level risks. Gary McLeod advised that planning for the 2010/11 audit would start in the next few weeks and views of Members on any areas of risk where external audit work could be beneficial were welcomed.

Gary McLeod then referred to the draft Final Accounts report for 2008/09 which detailed the main finding of the audit completed on 29<sup>th</sup> September 2009. Discussion had taken place with officers and would continue into the New Year prior to finalisation.

Referring to the Use of Resources scores, the Chair commented that some scores were lower than expected and he enquired whether this was attributable to some

issues concerning a particular secondary school and because of deposits that had been made to two Icelandic banks that had subsequently collapsed. Furthermore, he asked whether the scores attained reflected present or past performance. The Chair sought comparisons with how the Audit Committee were performing compared to equivalent committees in other local authorities. He enquired what the responsibilities of the lead members were with regard to performance.

In response, Andrea White (District Auditor, Audit Commission) advised that issues concerning a secondary school and the Icelandic bank deposits had been taken into consideration, however other wider issues had also contributed to the assessment. She affirmed that a rating of two signified an adequate performance and that the appropriate arrangements were in place. A three rating signified consistently high performance across the Council and a proactive approach being taken. Members heard that appropriate arrangements had been made with regard to the Audit Committee's role, and its efforts would be enhanced by taking a more proactive stance, further consideration of training needs for Members, scrutinising specific issues such as limited assurance and following up on progress on recommendations that had been agreed.

Andrea White explained that Use of Resources reflected the priorities of the Comprehensive Area Assessment (CAA) which included achieving best value and a focus on delivering partnership working. Areas for improvement had been highlighted by the Audit Commission, such as increasing stakeholder involvement, a more consistent approach to systems and process, provide more examples of effective partnership working and improving data quality. It was noted that the Council's Transformation programme would impact more positively in future as the programme comes to fruition. Members heard that the purpose of the Audit Commission's report was to assess how local authorities monitored their performance and Councils needed to focus on outcomes. Performance management systems should be council wide and this included lead members playing a role.

Duncan McLeod (Director of Finance and Corporate Resources) added that there had been active dialogue with the Audit Commission and the suggestions made had been helpful. There was a need to raise standards in a number of areas and Duncan McLeod stressed that management of resources was a much wider issue than financial considerations and the whole Council needed to be involved.

The Chair thanked the Audit Commission for their input and noted the suggestions that had been made.

## **5. Treasury Management Report**

Martin Spriggs (Head of Exchequer and Investment, Finance and Corporate Resources) introduced the report and highlighted the main issues raised in the draft guidance on local authority investments that had been published by the Department of Communities and Local Government (DCLG), including:-

- The need for clear policies on duration of loans and the share of the portfolio that can be lent for longer periods
- Local authorities should not rely solely on credit ratings and should consider other information

The Council had considered the guidance issued by the DCLG and these would be taken into account for the Budget report. Martin Spriggs reported that there had also been revisions to the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management within the past two weeks, including a need for a mid year review of the annual treasury strategy, the Audit Committee to be responsible for ensuring effective scrutiny of treasury management strategy and polices and that Members of the Audit Committee have access to appropriate training opportunities.

Martin Spriggs then updated Members on the Icelandic bank deposits, stating that the administrators of Heritable Bank had made their first repayment of £1.6m in July 2009 and a second payment of £1m was expected in December 2009. Within the last few days, the Winding-Up Board for Glitnir Bank had announced that local authorities could not be considered secured creditors. However, councils were likely to challenge this and legal advice received suggested that local authorities were in any case considered secured creditors under Icelandic Law. Martin Spriggs reminded the Committee that the Council had been using a severely reduced Lending List since October 2008 in order to reduce risk. However, it was felt that the financial system was more stable now than at the same point last year, and for this reason one of the proposals included increasing the duration of deposits in order to increase return opportunities. Martin Spriggs then drew Members' attention to the proposals as set out in paragraph 3.10. He also circulated an additional paper detailing recommendations and responses to a House of Commons Select Committee report on local authority investments in Icelandic banks.

During discussion, Councillor Butt enquired whether the Council's proposals to request permission to capitalise £2m over 25 years was a standard request and would this have any effect on future budgets. He also sought further information on future returns from Heritable Bank.

Although the Director of Finance and Corporate Resources has delegated authority to appoint the treasury adviser, in the interests of transparency the Chair requested that the Audit Committee be consulted on the outcome of the tendering for a treasury adviser. He sought further details with regard to the requirement under the draft DCLG Guidance that the Treasury Strategy be agreed by Full Council and asked whether it would be considered by the Audit Committee and if so, that it be given sufficient time to examine the Strategy prior to it going to Full Council. The Chair enquired whether the Council would be asked to contribute towards any legal challenge in respect of Glitnir Bank. The question was also posed as to whether the Council would initially continue with low interest deposits even after interest rates rose again in order to minimise risk.

In reply, Martin Spriggs advised that the request for capitalisation of £2m over 25 years was a middle range option offering least risk to the budget and the usual period was for 50 years. He agreed to report back to the Audit Committee the outcome of the tendering for a treasury adviser and confirmed that the Treasury Strategy would be presented to the Committee before it went to Full Council. It was not yet known whether the situation with regard to Glitnir Bank would result in legal proceedings and if so what court costs would be involved. Martin Spriggs advised that in order to minimise risk, lower interest deposits would initially be pursued in

the event of a rise in interest rates and this would be subject to review depending on changing economic circumstances. The recent review of the Lending List had concluded that higher interest deposits were still too large a risk. The Council continued to lend only to high quality organisations and of the 32 banks where deposits had been made, only three, all Icelandic, had collapsed. Martin Spriggs confirmed that following a further return from Heritable Bank in December 2009, a further one was due early in 2010.

Duncan McLeod added that care would be given when putting together the municipal calendar of meetings to ensure that there was sufficient time for the Audit Committee to consider the Treasury Strategy prior to it being considered by Full Council.

Officers agreed to a request made by the Chair that training be provided to Members of the Committee in respect of the Treasury Strategy.

RESOLVED:

(i) that the steps taken either previously or in response to the Department of Communities and Local Government draft guidance and revised CIPFA Code be noted; and

(ii) that proposals to amend the Lending List as set out in paragraph 3.10 be noted.

## **6. Internal Audit - Progress Report for April 2009 to November 2009**

Simon Lane (Head of Audit and Investigations, Finance and Corporate Resources) introduced the report summarising progress since 30<sup>th</sup> September 2009. He confirmed that internal auditing was on target as set out in the Internal Audit Plan for 2009/10. Members heard that a substantial amount of time had been spent undertaking Financial Management Standards in Schools (FMSIS) assessments in primary schools and this was also on target, with only three primary schools remaining to be assessed. Simon Lane advised that 61% of the Plan had been completed to date, up 8% from the same stage last year. He drew Member's attention to the Summary of Assurance Opinions Direction of Travel, however the number of audits needing to be completed in the remaining third of the year was of some concern.

The Chair enquired to what extent the situation with limited assurance was behind schedule. He also asked if the design of controls in place were Council-wide. With regard to a school failing an FMSIS assessment, the Chair asked if there were any financial implications or risk to the Council.

In reply, Simon Lane advised that progress with the limited assurance opinions issued across the Council was quite far behind schedule and was a cause for concern, however there had been an improvement since the last report. Members heard that as far as financial controls and regulations were concerned, systems were in place Council-wide. Overall, the financial systems of control were quite strong, although there were a few areas that could be improved, with one school failing the FMSIS assessment. In the context of wider system of controls, separate systems were commonplace, with looked-after children having specific systems of



control in operation. Simon Lane explained that because of the diverse nature of the Council's work, it would not be possible or practicable to have a uniform system of control for every Council activity.

Phil Lawson (Deloitte) advised that a limited opinion meant that some weaknesses had been identified, although not necessarily of a financial nature, which puts the client's objectives at risk. The system of controls for substantial opinions overall was sound but not always consistent. He added that some system of controls lacked a coherent framework that they could be based upon.

Aina Uduehi (Audit Manager, Audit and Investigations, Finance and Corporate Resources) added that the school failing its FMSIS assessment had done so because standards had not been met in a significant area and it was not felt that the school could implement the measures required within the designated 21 days. There was an element of theoretical financial risk to the Council although any impact would not be immediate and the school had been made aware of this. In addition, the Education Finance Team were advising the school and providing appropriate training. Members noted that the same school was due to be revisited by the Audit and Investigations Teams next year.

RESOLVED:

that the progress made in achieving the 2009/10 Internal Audit Plan be noted.

## **7. Use of Directed Surveillance**

Simon Lane introduced the report and advised that the Home Office was in the process of revising its code of practice on the use of surveillance and it was likely that as a result of this that the level of authorisation required by local authorities to use surveillance would be raised to the departmental director. He then drew Members' attention to the number of surveillance operations by service units for 2007/08, 2008/09 and from April 2009 to September 2009. Members noted that the Audit and Investigations Team had conducted 45 surveillance operations since April 2003 where cases had been closed, of which 16 resulted in no further action, six in criminal convictions, 12 in the recovery of Council properties, five in staff dismissal and six in some other form of sanction. Simon Lane advised that use of surveillance was a last resort measure and that there were a number of safeguards in place to ensure appropriate use. Members noted that at the request of Councillor Matthews (Lead Member for Crime Prevention and Public Safety), an update on directed surveillance would be provided to the Audit Committee every six months.

During discussion, Councillor Butt enquired about the length of period needed to implement a decision to undertake surveillance and were there instances of applications for permission to undertake this being refused. He also enquired what action could be taken against persistent anti-social behaviour offenders.

The Chair sought details of what had triggered inspections of the Council's use of surveillance by the Office of Surveillance Commissioner. He commented that some local authorities had received criticism for using surveillance to identify those responsible for anti-social activities such as dog fouling, and in view that there was support from residents to take action against such behaviour, he asked what other methods could be used to take action against the culprits.

In reply, Simon Lane advised that the Office of Surveillance Commissioner inspected local authorities every two years and in the four inspections of the Council undertaken, no fundamental weaknesses in the Council's approach or any specific concerns with operations had been identified. With regard to surveillance use concerning dog fouling, he advised that the Local Government Association would not regard this offence as serious enough and it would need to be tackled by a different method. However, CCTV could be justified in areas where there was persistent nuisance which could include a number of anti-social activities and an article in *The Guardian* newspaper had supported this view. In addition, intelligence from other service areas may also be available. Simon Lane advised that surveillance was used only when all other methods were exhausted and required the authority of the director of the service area. Members noted that there had been instances where requests to use surveillance had been refused. In urgent situations, the authorisation process could be expedited, but the request would require a high level of detail.

Duncan McLeod added that the Office of Surveillance Commissioner carried out very thorough inspections undertaken by senior officials and that comprehensive feedback was received. Members noted that use of surveillance was well-regulated and that the director of a service area needed to provide detailed justification of using surveillance.

RESOLVED:-

that the report on Use of Directed Surveillance be noted.

8. **Date of Next Meeting**


It was noted that the next meeting was scheduled to be held on **Wednesday, 3 March 2010 at 7.30 pm.**

9. **Any Other Urgent Business**

None.

The meeting closed at 8.35 pm

M CUMMINS  
Chair

	<b>Audit Committee</b> 3 <sup>rd</sup> March 2010  <b>Report from the Director of Finance and Corporate Resources</b>
For Information	Wards Affected: ALL
<b>Audit Commission Documents</b>	

## 1.0 Summary

1.0 This report includes a number of documents produced by the Audit Commission in their role as the Council's external auditors.

## 2.0 Recommendations

2.1 The Audit Committee is asked to consider the documents and instruct officers of any actions they require to be taken as a result.

## 3.0 Detail

3.1 The documents attached to this report are as follows:

(i) Appendix 1 - Progress Report March 2010

This briefs the Audit Committee on work currently being planned or undertaken by the Audit Commission. It includes a commentary on International Financial Reporting Standards (IFRS) and a mandatory letter to the Audit Committee regarding its response to fraud and other matters.

(ii) Appendix 2 - Certification of Claims and Returns – Annual Report February 2010

This report summarises the significant issues from the Audit Commission certification of grant claims for 2008/09.

(iii) Appendix 3 - Annual Audit Letter December 2009

This report summarises the findings from the 2008/09 audit. It includes issues arising from the audit of the financial statements and assesses the arrangements to secure value for money in Brent's use of resources.

(iv) Appendix 4 - Audit Opinion Plan February 2010

The plan sets out the proposed audit work to undertake for the audit of financial statements 2009/10. The plan is based on the Audit Commission's risk based approach to audit planning and reflects:

- audit work specified by the Audit Commission for 2009/10;
- current national risks relevant to local circumstances; and
- local risks

(v) Appendix 5 - Pension Fund Opinion Plan February 2010

The plan sets out the proposed audit work to undertake in relation to the audit of financial statements 2009/10 for Brent Council's Pension Fund accounts. The plan is based on the Audit Commission's risk-based approach to audit planning which assesses:

- current national risks relevant to local circumstances; and
- local risks and improvement priorities.

(vi) Appendix 6 - Human Resources Follow Up January 2010

This plan sets out progress made since previous reviews carried out in 2005 and 2008.

#### **4.0 Financial Implications**

4.1 The audit fee for 2008/09 and proposed audit fee for 2009/10 are:

	2008/09 Actual £'000	2009/10 Proposed £'000
Council	477	470
Pension Fund	38	38
<b>Total</b>	<b>515</b>	<b>508</b>

#### **5.0 Legal Implications**

5.1 None.

#### **6.0 Diversity Implications**

6.1 None

#### **7.0 Background papers**

7.1 As listed above

## **8.0 Contact Officers**

Duncan McLeod, Director of Finance and Corporate Resources, Brent Town Hall, Forty Lane, Wembley, Middlesex HA9 9HD, Tel. 020 8937 1424.

**Duncan McLeod**  
**Director of Finance and Corporate Resources**

This page is intentionally left blank

# Progress Report

## March 2010

Brent London Borough

Audit 2009/10

**Audit Committee 3 March**

---

# Contents

<b>Summary</b>	<b>3</b>
<b>International Financial Reporting Standards</b>	<b>5</b>
<b>Appendix 1 – Key Deliverables 2008/09</b>	<b>11</b>
<b>Appendix 2 – Key deliverables 2009/10</b>	<b>12</b>

---

## Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.



---

# Summary

---

## Introduction

- 1 The purpose of this progress report is to brief the Audit Committee on work currently being planned or undertaken by the Audit Commission.

---

## Audit Progress

- 2 The 2008/09 Accounts memorandum was presented at the previous Audit Committee. The Council has completed and agreed the action plan.
- 3 We have completed our Grants report and agreed the action plan with officers. This is included on the agenda for the Audit Committee.
- 4 We agreed the 2008/09 Annual Audit Letter with the Chief Executive and Director of Finance and Corporate Resources on the 15 December 2009. The Annual Audit Letter was presented to an Executive meeting of the Council on the 18 January 2010. This is included on the agenda for the Audit Committee.
- 5 Our 2009/10 audit has commenced. We have completed our initial planning procedures and are currently performing our review of key financial systems.
- 6 We have agreed our supplementary opinion plan with the Director of Finance and Corporate Resources. We propose an additional fee of £10,000. This increase follows a review of the 2008/09 audit, where we found additional work was required to gain assurance from different accounting systems and devolved processes used within the Council. The opinion plan is included on the agenda for the Audit Committee.
- 7 We have prepared and agreed our supplementary opinion plan for the Pension Fund with the Director of Finance and Corporate Resources. This will be presented to the Pension Fund Committee on the 23 February 2010. As the Audit Committee is considered to be 'Those charged with Governance for the Pension Fund, we have included the opinion plan on the agenda for your review. ISA 260 defines governance to be the role of persons entrusted with the supervision, control and direction of an entity. Those charged with governance ordinarily are accountable for ensuring that the entity achieves its objectives, with regard to reliability of financial reporting, effectiveness and efficiency of operations, compliance with applicable laws, and reporting to interested parties.
- 8 We have finalised one of the performance reviews detailed in our Audit plan. This is detailed below.
  - Since 2003, we have undertaken three separate reviews of the Council's HR service. Our reviews found the service historically weak with some improvements during this review period. We have followed up recommendations from our most recent report in 2008. This has been reported and agreed with officers. This report is included on the agenda for the Audit Committee.

- 9 An IFRS survey was performed at all Local Authorities at the end of 2009. We have included the key findings from this survey in this report.

# International Financial Reporting Standards

- 10 Local government financial statements will be required to comply with International Financial Reporting Standards (IFRS) starting from the 2010/11 financial year. The 1 April 2009 opening balances and the financial statements for 2009/10 will need to be restated to comply with IFRS. These will be reported as comparative figures for the 2010/11 financial statements.
- 11 The Audit Commission is undertaking a national study on the implementation of IFRS in local government. This study will assess the progress being made by single tier, county and district councils, fire and rescue authorities and police authorities towards preparing IFRS-based accounts. The Commission is aiming to determine what progress local authorities have made in implementing IFRS as at November 2009 and to identify the key challenges faced by local authorities in their implementation. The Commission will use the survey to provide evidence of progress made and to help identify operational and technical challenges facing audited bodies. A further phase 2 two of the survey will be carried out early in 2010 to assess progress.
- 12 We completed the survey at the Council to assess the Council's arrangements as at November 2009 and have discussed our findings with Council officers. Our assessment for the Council highlighted that there are a number outstanding areas to be resolved:
  - The Council is reviewing the accounting treatment of its four PFI contracts and has engaged PriceWaterhouseCoopers (PwC) to assist with its review. The review is likely to result in the PFI assets and liabilities needing to be recorded on the balance sheet. The 2009/10 financial statements will need to reflect the change in accounting policy and a prior period adjustment for these items;
  - The Council is also reviewing its leases and service concessions. Information is being collected from departments across the Council to determine the number and value of leases that exist where the Council is a lessee or lessor. The Council is also obtaining advice from PwC regarding the treatment of some of its more complex leases. The Council will need to consider if any of its leases need to be re-classified and reflect the changes in the 2010/11 financial statements;
  - IFRS requires changes to the accounting of employee benefits, particularly for accruing annual leave entitlement. The Council has performed a review quantifying the impact of an annual leave accrual as at 1 April 2009 for Council and school employees. The accrual for annual leave entitlement will need to be re-considered at the end of each financial year;
  - The Council has yet to review IFRS guidance for the preparation of group accounts and the treatment for pension funds. This may result in additional requirements not yet considered by the Council.

- 13 We will continue to work with officers to monitor progress in addressing the issues highlighted above.

### Transition arrangements

- 14 The 2009 Local Authority Statement of Standard Accounting Practice (SORP) requires Public Finance Initiative (PFI) and similar contracts to be accounted for in a manner that is consistent with the government's Financial Reporting Manual (FREM) in 2009/10, as this will assist in the transition to IFRS for 2010/11. The FREM covers all public sector bodies, except for Local Government and the NHS and is already IFRS compliant.
- 15 This brings forward one of the most significant changes from UK GAAP to IFRS from the 2010/11 conversion to the current year.

### Recent Audit Commission publications

- 16 The Audit Commission produces a regular Councillors' Update. This e-mailed newsletter aims to keep councillors up to date with the Commission's current work, such as CAA, national reports and studies. News stories containing details of specific tools and case studies will direct councillors to information that they can use in their work. If you have not automatically received your copy of Councillors' Update, please subscribe via the following link:

[Councillor Update newsletter - Audit Commission](#)

---

### Giving children a healthy start (3 February 2010)

This report assesses the local implementation of national policy from 1999 to 2009 on the health of children from birth to five years of age in England

It examines local service planning and delivery, including priority setting, and how local bodies can improve service delivery and access for vulnerable groups such as black and minority ethnic (BME) communities, lone and teenage parents.

The report discusses the impact of government funding on health outcomes for the under-fives; how effectively local bodies manage their resources; and the extent to which they are providing good value for money.

Key findings are as follows.

- Local authorities (LAs) and primary care trusts (PCTs) are aware of the key health issues affecting the under-fives in their areas, but this was not always reflected in strategic plans, and was rarely given priority in local area agreements (LAAs)
- Children from minority groups have poorer health outcomes and their parents are less likely to access mainstream health services due to lack of awareness or cultural preferences. Local bodies need to tailor and target their service provision appropriately, for these groups. But few LAs and PCTs included in the research had a rigorous approach to identifying the take-up of existing services and addressing any gaps.

It provides recommendations for national and local bodies that include the following.

- Ensuring that their Children and Young People's and Operational plans contain appropriate and challenging targets for improving the health of the under-fives that are jointly set and consistent with each other.
- Being clear about where accountability for commissioning and delivering services lie.
- Having a clear understanding of the resources being allocated to under-fives and the impact on health outcomes.
- Assessing rigorously the take-up of services and improving engagement with parents and service users to raise awareness of, and increase access the services.

---

**Testing Times: the impact of the recession on benefits services (22 December 2009)**

The report is based on the findings of a survey carried out in 2009. The survey asked Heads of benefits services in English councils about the impact of the downturn. Sixty-nine per cent of councils that responded to the survey said the recession had affected strategic and planning for benefit services in 2009/10. The published report contains descriptions of key issues councils in England are facing and strategies they are using to lessen the impact of the downturn.

Some key findings from the report include the following.

- Between April 2008 and April 2009, caseloads increased in all types of council and all regions.
- In the six months before April 2009, applications for discretionary housing payments increased in 69 per cent of councils surveyed. Eighty-two per cent reported higher demand for debt counselling.
- All councils received additional funds from the Department for Work and Pensions in 2008/09 to help them deal with higher caseloads; the most common use of the money was to pay for more staff.
- Seventy per cent have changed their strategy or operational plans for 2009 to address increases in demand. Changes have included reviewing job roles and activities, more use of telephone interviews, IT solutions and increasing staff numbers.
- Twenty-eight per cent of Heads of benefits services were more concerned about fraud in June 2009 than in June 2008. They felt that higher caseloads might reduce the staff resources available for preventing and detecting fraud and error.
- Some stated that they were struggling to manage the additional demand on their services.
- Delivering benefits accurately and on time helps prevent homelessness, indebtedness, can reduce child poverty, and gives those seeking work a safety net between jobs. Good benefit services matter. They are of increasing importance as more people apply for, and receive, benefits because of the recession.

---

**Auditing the accounts: Quality and timeliness of local government financial reporting (17 December 2009)**

On Thursday 17 December the Audit Commission published an open letter to Secretary of State for Communities and Local Government, John Denham MP, on the quality and timeliness of financial reporting by local government. The letter names the authorities that did not have audited accounts for 2008/09 by 30 November or whose accounts have been qualified. It urges the Secretary of State to do more to emphasize the importance of this fundamental aspect of local authorities' performance and to follow up the letter with the authorities concerned.

The correspondence is supported by three national reports entitled 'Auditing the Accounts' - one each for local authorities, fire and rescue authorities, and police authorities. These reports summarize auditors' work on the 2008/09 accounts, the

results of the 2008/09 use of resources assessments and the public interest reports and statutory recommendations issued by auditors in 2008/09

Some key findings from the report include the following.

- Local authorities were required to approve their 2008/09 accounts by 30 June 2009. This deadline was achieved by 94 per cent of local authorities. Fourteen authorities (4 per cent) failed to achieve this deadline;
- Local authorities were required to publish their 2008/09 audited accounts by 30 September 2009. This deadline was missed by 43 local authorities (11 per cent).
- The Audit Commission Act 1988 requires auditors to give an opinion on the accounts of local authorities. An unqualified opinion is referred to as a standard opinion. There are four other types of opinion that can be given, including an adverse opinion where there is disagreement over a material item that leads the auditor to conclude that the whole statement of accounts are misleading or incomplete. For 2008/09 there were 11 non standard audit opinions given the accounts of local authorities.

---

### Oneplace (8 December 2009)

The Audit Commission, along with five partner inspectorates have launched their first joint judgement on the Oneplace website at <http://oneplace.direct.gov.uk>. The Oneplace website provides assessments of performance on the environment, services provided for children and young people, raising school standards and cutting disparities in health, and marks a more streamlined approach with auditors and inspectors coming together to publish their findings together and making them directly available to the public in everyday language.

Oneplace divides the country into 152 areas, measuring how well local services work together to meet both their own priorities and government indicators on, for example, anti-social behaviour and teenage pregnancy. The website uses green flags to highlight exceptional performance others can learn from. Red flags signal where problems won't be solved without a fresh approach by the local public services working together.

Example findings for London include the following.

- Ealing gets a green flag for impressive numbers of looked after children and care leavers going into Further and Higher education. This is the result of making these young people a high priority across the Council combined with imaginative ways of supporting and engaging with them. For example, older care leavers are trained to be positive role models for 15 years old, just about to do their GCSEs. This results in children becoming more strongly motivated to learn.
- Haringey was given a red flag due to significant concern that children and young people are not yet consistently safeguarded. Ofsted judged capacity to improve in safeguarding services within the Council and across the partnership as limited overall.

- Kensington and Chelsea gets a green flag for reductions in the level of crime. As a result of local services working together and the effective use of uniformed officers there are significant and lasting falls in crime in the Royal Borough of Kensington and Chelsea. All types of crimes are reducing in the area including robbery, car theft and race and religious hate crimes. The area has won national recognition for its work on reductions in burglary from homes.
- Tower Hamlets gets a green flag for engaging and empowering local people. The Partnership has been very successful in involving local people in decisions about services which affect their daily lives. This approach is at the centre of everything local public services are doing to achieve 'One Tower Hamlets'. Recent survey results have confirmed that more people than elsewhere in London are kept informed on how public services are performing. A notable achievement is that a lot more people in Tower Hamlets than in London, or nationally, believe they are able to influence decisions affecting their area.



# Appendix 1 – Key Deliverables 2008/09

**Table 1 Progress on Key Deliverables for 2008/09**

Product	Timing	Current position
<b>Planning</b>		
Audit Plan	January 2008- March 2008	Plan presented to Audit Committee in September 2007
<b>Opinion</b>		
Work on financial systems	January 2008 – June 2009	Completed
Financial statements; <ul style="list-style-type: none"> <li>• opinion;</li> <li>• Annual Governance Report; and</li> <li>• opinion memorandum</li> </ul>	July - September 2009	Completed and opinion issued on 28 September 2009 Annual Governance report issued September 2009 Opinion memorandum issued December 2009
<b>Use of Resources</b>		
Health Inequalities phase 1 phase 2	May 2009 October 2009	Final report issued Set up meeting in July 2009
Data Quality	July 2008 - November 2008	Completed and report issued December 2008.
Value for money conclusion	June 2009 to September 2009	Completed and opinion issued on 28 September 2009
Use of resource judgements	August - November 2008	Use of Resources scores issued. Report issued December 2009.
<b>Inspection</b>		
Direction of Travel	October 2008- January 2009	Work completed and Direction of Travel wording and scores issued 15 January 2009.
<b>Reporting</b>		
Annual Audit and Inspection Letter	February - March 2010	Discussed with CE and DOF

# Appendix 2 – Key deliverables 2009/10

**Table 2 Progress on Key Deliverables for 2009/10**

Product	Timing	Current position
<b>Planning</b>		
Audit Plan	January 2009- March 2009	Plan presented to Audit Committee in June 2009
<b>Opinion</b>		
Work on financial systems	December 2009 – June 2010	This is in progress. We have completed our Opinion plan and presented to Audit Committee in March 2010
Financial statements; <ul style="list-style-type: none"> <li>• opinion;</li> <li>• Annual Governance Report; and</li> <li>• opinion memorandum.</li> </ul>	July - September 2010	
<b>Use of Resources</b>		
Health Inequalities phase 1 phase 2	May 2010 October 2010	Phase 1 completed and report issued. Phase 2 commencing
Performance management follow up	June 2009 to December 2009	Review completed, we are in the process of agreeing the report with officers
HR follow up	December 2009 to February 2010	Review completed, and report presented to Audit Committee in March 2010
Project management review	January 2009 to March 2010	
Value for money conclusion	June 2010 to September 2010	

## Appendix 2 – Key deliverables 2009/10

<b>Product</b>	<b>Timing</b>	<b>Current position</b>
Use of resource judgements	February to July 2010	Our Use of Resources assessment has begun. We have arranged meetings to see key officers and members. We will also review documentation provided by officers in relation to specific Key Lines of Enquiries (KLOEs).
<b>Inspection</b>		
Direction of Travel	October 2009- January 2010	
<b>Reporting</b>		
Annual Audit and Inspection Letter	December 2010	

---

# The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

---

## Copies of this report

If you require further copies of this report, or a copy in large print, in Braille, audio, or in a language other than English, please call 0844 798 7070.

© Audit Commission 2010

For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 0844 798 1212 Fax: 0844 798 2945 Textphone (minicom): 0844 798 2946

[www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)

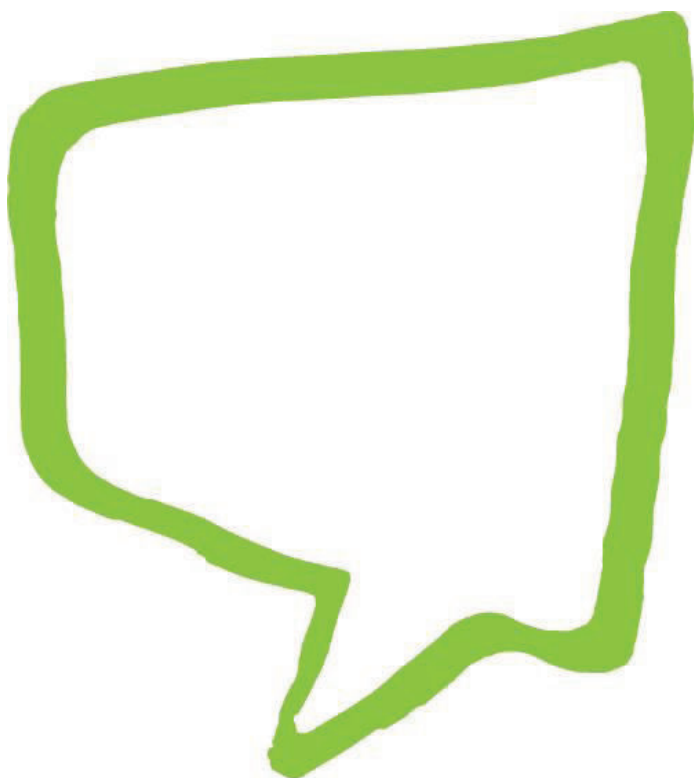
---

# Certification of Claims and Returns - Annual Report

London Borough of Brent

Audit 2008/09

February 2010



---

# Contents

<b>Introduction</b>	<b>3</b>
<b>Main Conclusions</b>	<b>5</b>
<b>The Way Forward</b>	<b>12</b>
<b>Appendix 1 – Timeliness of, and amendments to 2008/09 grant claims</b>	<b>13</b>
<b>Appendix 2 – Action Plan</b>	<b>17</b>

---

## Status of our Reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.

# Introduction

- 1 In our role as appointed auditor we are required to certify grant claims and returns for expenditure incurred by the Authority. Each claim is certified in accordance with the relevant Certification Instruction (CI). These are agreed between the Audit Commission and the grant paying department. This report summarises the significant issues from our certification of grant claims for 2008/09.
- 2 The Authority submitted 12 grant claims and returns for certification in 2008/09, representing expenditure of almost £382m. As in previous years most of the grant funding received was for National Non-Domestic Rates (£95 million) and Housing and Council Tax Benefits (£248 million).
- 3 The number of claims certified in 2008/09 was consistent with 2007/08.

---

# Approach

- 4 Grant claims submitted by the Authority in 2008/09 were certified according to the Commission's certification process. Claims for expenditure:
  - under £100,000 no longer need certification;
  - between £100,000 and £500,000 do not usually need any detailed testing, instead a light touch review is carried out; and
  - claims over £500,000 are subject to a risk assessment of the control environment associated with that grant claim. Testing carried out on the grant claim is then proportionate to the risk identified.
- 5 This approach benefits Authorities with a robust control environment in place to ensure proper administration of grant expenditure. Testing can be reduced where a robust control environment is demonstrated.



# Main conclusions

- 6 The Authority and the Audit Commission agreed a Grants Protocol at the beginning of 2008/09 to consider areas for improvement raised during the 2007/08 grants review. The aim was to develop a protocol setting out an approach to lessen both officer and auditor effort, while continuing to improve the accuracy and timeliness of grant returns.
- 7 The results from the 2008/09 grants review are summarised in Table 1. Further details are set out in Appendix 1.

**Table 1 Summary of findings**

Claim	Department	Claim received on time	Amendment	Qualification
BEN01 - Housing and Council Tax Benefits	Finance & Corporate Resources	✓	✓	✓
CFB06 - Pooling of Housing Capital Receipts	Finance & Corporate Resources	✓	✓	x
EDU23 - LSC Funding of Further Education in LA Institutions	Children & Families	x	✓	✓
EYC02 - General Sure Start	Children & Families	✓	✓	x
HOU01 - HRA Subsidy	Housing	✓	✓	x
HOU02 - HRA Subsidy Base Data Return 2009/10	Housing	✓	✓	✓
HOU21 - Disabled Facilities	Housing	✓	x	x
LA01 - National Non-Domestic Rates	Finance & Corporate Resources	✓	✓	x
PEN05 - Teachers' Pensions	Business Transformation	✓	✓	✓
RG03 - New Deal for Communities*	Finance & Corporate Resources	-	-	-
RG31 - LDA Single Programme (Childcare Affordability Programme)	Children & Families	✓	✓	x
RG31 - LDA Single Programme (Youth Offer Scheme)	Children & Families	x	✓	✓

\*claim reviewed by Newman & Partners

- 8 Overall two out of eleven claims were not submitted on time. Ten out of eleven required amendment and five out of eleven also received a qualification. The details of the adjustments are outlined in Appendix 1 with the majority of amendments resulting from minor presentational or numerical errors. The results highlight there are still a number of areas for improvement. There has been little overall change in the accuracy of submission of grant claims for certification in 2008/09. This is shown by the similar number of claims needing amendment or qualification compared to 2007/08.
- 9 The main improvements have come in meeting the certification dates because of the good working relationships that exist between grant preparers and the audit team. This has seen prompt responses to auditor requests and reduced the amount of time incurred on the grants review in 2008/09.
- 10 Working papers across most grants have reached adequate standards. However, there are still some grant claims presented with little supporting documentation.
- 11 During 2008/09 the Audit Commission submitted all but two claims to grant paying bodies by the deadlines. The exceptions were the LDA Single Programme Youth Offer (RG31) and the LA Institutions (EDU23) claims which were both submitted late for review by the Authority.
- 12 The most significant issue arising from the 2008/09 grant claims review has been the failure of the Authority to record new grant claims needing certification. While the deadlines for all existing claims have been met, the Authority has had difficulty identifying when new claims have needed certification. This resulted in late submission of two claims and poor working papers to support these new claims.
- 13 The Authority is aware of the importance of identifying claims early and has been proactive in discussing with the audit team how to improve performance in this area. Early confirmation of certification requirements is needed from grant paying bodies to allow claims to be prepared well, in advance of submission deadlines. In addition within all departments grant claims should be reviewed against the CI Index listing to ensure that all grants are submitted in a timely fashion.
- 14 It is important grants work is subject to proper supervision and review by the Authority to improve the chances of identifying errors before submission to the audit team. Many amendments in 2008/09 were for minor errors, a recurring theme which greater review could help to cut out.
- 15 The Authority has in place the foundations to improve quality control in the grants submission process, having already set up a central contact who can deal with the issues of timeliness and completeness of all grant claims. This can be built on to develop an approach to ensure the Authority's claims and returns are:
  - completed accurately and in accord with the scheme terms and conditions;
  - supported by adequate working papers;
  - subject to proper supervision and review - including a final review by the grants co-ordinator; and
  - due for submission within the current year - including confirming to whom they should be submitted.

## Main conclusions

16 An action plan summarising our recommendations is included at Appendix 2.

### Recommendation

- R1** Support the role of the central grants co-ordinator in the Authority to ensure service units provide accurate and timely information on potential grants needing certification. This should include ensuring:
- co-ordinator is aware of what grants have been received and when the deadlines are due;
  - co-ordinator continues to have enough authority to enable them to interact with preparing officers and make clear what is needed for submission including adequate working papers; and
  - reviews are carried out by service areas before claim is submitted for certification.

### Timeliness and accuracy of claims

- 17 The procedures agreed in the Grant Protocol at the beginning of the year have seen claims received before the Authority deadline date. This helps planning certification work and allows work to be undertaken in time to meet the certification deadlines.
- 18 In 2008/09 the Authority submitted two claims late for certification. One of these was noticeably late - LDA Single Programme Youth Offer (RG31). The matter of identifying the need for certification for new claims is highlighted as an issue for the Authority.
- 19 Ninety-one per cent of claims submitted for certification needed amendment or a qualification letter. This represents a similar proportion to 2007/08 and is an area identified for improvement. Most errors identified were minor and many of these could have been avoided by a more robust review procedure.
- 20 A robust review would also ensure the accuracy of the claim and clarity of the accompanying working papers.

### Recommendation

- R2** Use the grants review checklist across all departments to ensure accuracy of claim and supporting documents before submission for certification.
- R3** Service areas carry out robust reviews on all claims and supporting documents before submission to limit need for Authority to resubmit or amend claims.

### Housing Benefit and Council Tax Benefit Subsidy (BEN01)

- 21 Work on the Housing and Council Tax Benefits claim for 2008/09 was completed before the DWP deadline of 30 November. There has been significant improvement in meeting the certification timetable in 2008/09 because of the effective management of the claim and the working between the Authority and audit. We would like to thank all officers involved in this claim and recognise the hard work put in to achieve the deadlines.
- 22 The review identified one amendment to the claim and a qualification letter was agreed with the Authority extrapolating errors found in three of the cells tested.

### Housing grant claims

- 23 The Authority has taken steps over the last year to improve its arrangements for preparation of its Housing claims, although issues still arose over the HRA Subsidy grant claims.
- 24 The Subsidy Base Data Return (HOU02) claim needed minor amendments in 19 fields within the claim. Although these were all small in value the number of adjustments could be reduced with a more robust review of the claim prior to submission.
- 25 A qualification letter was also issued for the same reason as in 2007/08, as the Authority was unable to support the classification of some properties. No recommendation will be raised on this point as the Authority has already taken actions to address this matter in time for the 2009/10 review.
- 26 The HRA Subsidy (HOU01) claim resulted in amendment, partly because of the amendments to the Subsidy Base Data Return claim. Other amendments reflected the differences between the Authority's working papers and the data in the claim, with changes made to several fields within the claim.
- 27 In 2008/09 the Disabled facilities (HOU21) claim was certified with no issues raised. This is comparable to 2007/08 and we do not see any future matters arising with this claim.

### Finance & Corporate Resources claims

- 28 Performance in the certification of Finance & Corporate Resources grant claims in 2008/09 was consistent with the previous year. Working papers are of a high standard and the Authority was quick to respond to audit requests and queries resulting in claims being certifying well before the audit deadline.
- 29 Despite this minor amendments were needed to both National Non Domestic Rates (LA01) and Pooling of Housing Capital Receipts (CFB06). The errors identified were very minor and some could have avoided with closer scrutiny of the claim before submission. As a result there are still areas for improvement:

## Main conclusions

- National Non-Domestic Rates (LA01)
    - overall good working papers are provided for this claim with numerical entries to the claim well supported. This year an amendment was made to a date disclosure on the claim form. Certification is given on all information on the claim and it is important to ensure that all information, not just numerical entries, is fully supported by the Authority's records.
  - Pooling of Housing Capital Receipts (CFB06)
    - minor amendments were made to administration costs and net interest on late payments. The amendments were the results of errors in calculations and indicate the importance of checking all calculations in accordance with the guidance from the grant paying body.
- 30 A third claim New Deal for Communities (RG03) which needed certification was reviewed by Newman & Partners. This arrangement is consistent with previous years and the results of their review are not included in this report.

### Recommendation

- R4** Complete returns using the most up-to-date guidance, especially where manual calculations are needed.

### Business Transformation claim

- 31 The Teacher's Pensions (PEN05) claim needed a number of amendments and a qualification letter was issued as a result of our review. The outcome of the review was consistent with 2007/08 where both amendments and a qualification letter had to be issued. We would suggest that a more robust review prior to submission could reduce errors arising as a result of entries on the claim not agreeing to payroll reports provided as supporting documentation.
- 32 In our qualification letter we reported that one person recorded in the teachers' pension scheme was a member of the local government pension scheme and therefore teachers' pension contributions should not have been deducted. We were unable to confirm that all the 287 teachers included on the same payroll service were members of the teachers' pension scheme.

### Children & Families claims

- 33 Of the four claims submitted by the Children & Families department, there were two new grants needing certification in 2008/09 which were not initially recognised and submitted for certification by the appointed deadlines by the Authority. Performance varied widely across each of the four submissions.
- 34 The General Sure Start (EYC02) and LDA Single Programme (RG31) (Childcare Affordability Programme) were both received by the Authority deadline early in the year. Work on both claims was completed early and only minor amendments were needed to each claim.

- 35** A second scheme under the LDA Single Programme (RG31) was identified during the year for the Youth Offer Scheme. This scheme was not identified until after both the Authority and certification deadline had passed, with the final claim certified three months after the Audit deadline. Matters resulting in amendments to the claim were:
- the Authority had misclassified revenue items as capital - as the revenue spend limit had been met this led to the Authority claiming funding which it was not entitled to claim;
  - expenditure incurred in 2009/10 had been recorded in the 2008/09 claim;
  - one double payment was identified; and
  - there was not enough evidence to support all third-party payments - records of expenditure could have been more formally maintained to allow a clear audit trail to be followed.
- 36** Of more concern were the issues raised for qualification:
- not all third party funding was supported by formal contracts or funding award letters;
  - contracts that were in place had not been signed by the Authority; and
  - there was inadequate documentation to support all entries on the return.
- 37** Following the findings of the review the Authority have already taken steps to ensure adequate documentation is maintained to support expenditure in the future. Where capital expenditure is incurred this should be based on formal agreement with third parties and reviewed to ensure capital expenditure is in line with the LDA definition of capital items.
- 38** The final claim received was the LSC funding of further education in LA institutions (EDU23) claim. This claim had not been previously certified within the Authority and there was a delay in identifying which service unit had received this funding. Due to concerns over the accuracy of the data recorded in the claim estimate the final claim was not received until after the Authority and certification deadline.
- 39** The final claim has now been certified with only minor amendments to the claim. We also issued a qualification letter for the following matters:
- the claim was submitted after the 23 November certification deadline resulted in automatic qualification;
  - insufficient records were not available to fully support all learners included on claim; and
  - learner disadvantage uplift had not been correctly applied to one learner tested.

## Main conclusions

### Recommendations

- R5** Identify all schemes for which the Authority may be eligible. Where a grant needing audit has been claimed the responsible officer should be aware of all requirements and inform the grants co-ordinator so that deadlines are not missed.
- R6** Periodically review grant arrangements and monitoring to ensure supporting documentation is adequately maintained and grant terms and conditions are being met. This should focus on:
- new claims where grant preparers may be inexperienced, or grant terms and conditions unfamiliar; and
  - claims involving third parties where assurance over external expenditure or arrangements is needed.

### Grant fees

- 40** The estimated grant fee for 2008/09 stands at £100,000 as a result of the work due to date. This is a significant reduction when compared with the 2007/08 fee of £149,000. The reduction is due to improvements made to the process of compiling claims and responding to issues by the Authority.

---

# The way forward

- 41 While we recognise the Authority has made significant progress on meeting submission deadlines on claims, there have been two cases where the Authority submission deadline has been missed. In both cases this was the first year those claims had needed certification.
- 42 It is important to ensure that the Authority is able to identify new claims requiring certification at an early point. This will not only help to meet the relevant deadlines, but will allow the Authority to ensure resources are in place to prepare the claims to the required standards. In order to achieve this, there are a number of areas where officers can continue to improve current systems:
- identify all grants received within individual service units and provide list of grants to Service Head. Where it is known the requirement for certification by the external auditor should be stated;
  - maintaining co-ordination between grants co-ordinator and Service Heads to cross check service unit grants against CI Index listing of potential grants the Authority may have received funding for; and
  - extra focus should be spent on new claims where arrangements are uncertain/unknown.
- 43 The role of grants co-ordinator is well embedded within the Authority and there should continue to be close co-operation and co-ordination between the grants co-ordinator and audit team to ensure grants work continues to progress.
- 44 The Authority should consider the recommendations in the action plan set out in Appendix 2 and take action where improvements can be achieved.



# Appendix 1 – Timeliness of, and amendments to 2008/09 grant claims

**Table 2 Issues raised on grant claims in 2008/09**

CI number	Claim description	Date due from the Authority	Date received from the Authority	Days late	2007/08 amendment/ qualification?	2008/09 amendment/ qualification?	2008/09 weakness/ non-compliance issue
BEN01	Housing and Council Tax Benefits	31 May 2009	29 May 2009	0	Amendment and qualification	Amendment and qualification	Errors related to start/end dates of benefit types. No repeat of 2007/08 errors.
CFB06	Pooling of Housing Capital Receipts	30 June 2009	24 June 2009	0	Amendment	Amendment	1. Minor amendment due to miscalculation of net interest on late payments to bring in line with guidance. 2. Minor amendment to administrative costs to reflect actual expenditure.
EDU23	LSC funding of further education in LA institutions	31 October 2009	25 November 2009	25	N/A	Amendment and qualification	1. Minor amendments due to agreeing back to supporting documentation in form of DSAT report. 2. Qualified due to late submission, insufficient supporting documentation and incorrect application of learner disadvantage uplift.

Appendix 1 – Timeliness of, and amendments to 2008/09 grant claims

CI number	Claim description	Date due from the Authority	Date received from the Authority	Days late	2007/08 amendment/ qualification?	2008/09 amendment/ qualification?	2008/09 weakness/ non-compliance issue
EYC02	General Sure Start	30 May 2009	1 June 2009 (deadline was a Saturday not recorded as late)	0	Amendment and qualification	Amendment	1. Minor amendment resulting from variance in agreement to Oracle ledger. 2. Amendment for prepayment incorrectly included in funding claimed.
HOU01	HRA Subsidy	30 September 2009	1 September 2009	0	Amendment	Amendment	Numerous amendments made including: 1. Minor amendments resulting from agreement to certified HOU02 08/09 claim and HOU01 07/08 claim. 2. Amendments due to variance in agreement to supporting documentation. Including amendments of approx £43m to 2 fields.
HOU02	HRA Subsidy Base Data Return 2009/10	28 August 2009	28 August 2009	0	Amendment and qualification	Amendment and qualification	1. Minor amendments across 19 separate fields. 2. Qualified due to lack of support for the classification of properties within a number of fields. Qualified in 2007/08 for same issue.
HOU21	Disabled Facilities	31 June 2009	25 June 2009	0	None	None	Not applicable.
LA01	National Non-Domestic Rates	26 June 2009	16 June 2009	0	None	Amendment	Amendment to date of latest information used to compile the claim.

Appendix 1 – Timeliness of, and amendments to 2008/09 grant claims

CI number	Claim description	Date due from the Authority	Date received from the Authority	Days late	2007/08 amendment/ qualification?	2008/09 amendment/ qualification?	2008/09 weakness/ non-compliance issue
PEN05	Teachers' Pensions	30 June 2009	30 June 2009	0	Amendment and qualification	Amendment and qualification	<ol style="list-style-type: none"> <li>1. Amendments were made where entries per the claim did not agree to supporting payroll reports.</li> <li>2. Qualified due to deductions being incorrectly made for a member of the local government pension scheme. Unable to provide assurance that all other teachers within same external payroll provider organisation were eligible for inclusion in teachers' pensions scheme.</li> </ol>
RG03	New Deal for Communities	30 September 2009	N/A	N/A	N/A	N/A	Not applicable. Certification completed by Newman & Partners.
RG31	LDA Single Programme (Childcare Affordability Programme)	30 April 2009	29 April 2009	0	Amendment	Amendment	<ol style="list-style-type: none"> <li>1. Minor amendment to grant received per claim to agree to ledger.</li> <li>2. Minor amendment to accrual entry on claim as per GLE notification.</li> <li>3. Amended to include grant agreement date on claim as per guidance.</li> </ol>

Appendix 1 – Timeliness of, and amendments to 2008/09 grant claims

CI number	Claim description	Date due from the Authority	Date received from the Authority	Days late	2007/08 amendment/ qualification?	2008/09 amendment/ qualification?	2008/09 weakness/ non-compliance issue
RG31	LDA Single Programme (Youth Offer Scheme)	30 April 2009	12 August 2009	104	N/A	Amendment and qualification	<ol style="list-style-type: none"> <li>1. Claim was submitted over 3 months after deadline.</li> <li>2. Authority did not identify that claim needed certification.</li> <li>3. Qualified due to insufficient supporting documents.</li> <li>4. Qualified due to controls over contract arrangements and monitoring.</li> <li>5. Amendments made for: <ul style="list-style-type: none"> <li>- revenue expenditure misclassified as capital items;</li> <li>- 2009/10 expenditure being included in 2008/09 claim;</li> <li>- duplicate payment.</li> </ul> </li> </ol>

Source: LB Brent and Audit Commission, 2008/09

# Appendix 2 – Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
7	<p>R1 Support the role of the central grants co-ordinator in the Authority to ensure service units provide accurate and timely information on potential grants needing certification. This should include ensuring:</p> <ul style="list-style-type: none"> <li>co-ordinator is aware of what grants have been received and when the deadlines are due;</li> <li>co-ordinator continues to have sufficient authority to enable them to interact with preparing officers and make clear what is needed for submission including adequate working papers; and</li> <li>proper reviews are carried out before claim is submitted for certification.</li> </ul>	3	All officers responsible for submitting grant claims	Agreed	We will continue to aim to ensure best practice with all grant claims.	2009/10 grant claims
7	R2 Use the grants review checklist across all departments to ensure accuracy of claim and supporting documents before submission to the auditor.	2	All	Agreed	We will try and ensure this is done in all cases although there are issues with claims submitted electronically.	2009/10 grant claims
7	R3 Departments carry out robust reviews on all claims and supporting documents before submission to limit need for Authority to re-submit or amend claims.	3	All service areas	Agreed	This will be emphasised to all Service Areas responsible for submitting claims.	2009/10 grant claims

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
9	R4 Complete returns using the most up-to-date guidance, especially where manual calculations are required.	2	All	Agreed	This will be emphasised in guidance notes.	2009/10 grant claims
10	R5 Identify all schemes for which the Authority may be eligible. Where a grant requiring certification has been claimed the responsible officer should be aware of all requirements and inform the grants coordinator so that deadlines are not missed.	3	All service areas and F&CR	Agreed	This will be subject to ongoing review. We will continue to liaise with the Audit Commission on this issue.	April 2010
11	R6 Periodically review grant arrangements and monitoring to ensure supporting documentation is adequately maintained and grant terms and conditions are being met. This should focus on: <ul style="list-style-type: none"> <li>new claims where grant preparers may be inexperienced, or grant terms and conditions unfamiliar; and</li> <li>claims involving third parties where assurance over external expenditure or arrangements is needed.</li> </ul>	3	All service areas	Agreed	In 2010 we will focus on claims that are higher risk because the claims or officers involved are new or because the claim's complexity. We will provide extra support to these claims.	March 2010

---

# The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

---

## Copies of this report

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0844 798 7070.

© Audit Commission 2008

For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 0844 798 1212, Fax: 0844 798 2945, Textphone (minicom): 0844 798 2946

[www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)

This page is intentionally left blank



# Annual Audit Letter

London Borough of Brent

Audit 2008/09

December 2009



---

# Contents

<b>Key messages</b>	<b>3</b>
<b>Financial statements and annual governance statement</b>	<b>5</b>
<b>Value for money and use of resources</b>	<b>7</b>
<b>Closing remarks</b>	<b>13</b>
<b>Appendix 1 – Action plan</b>	<b>14</b>

---

## Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/ members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.

# Key messages

**This report summarises the findings from our 2008/09 audit. It includes messages arising from the audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.**

---

## Audit opinion

- 1 I gave an unqualified audit opinion on the Council's financial statements and on the pension fund financial statements on 29 September 2009.
  - 2 I gave an unqualified opinion on the Pension Fund annual report on 26 November 2009.
  - 3 I cannot formally conclude and close the 2008/09 audit due to outstanding legal proceedings. I am satisfied that these matters do not have a material effect on the 2008/09 financial statements.
- 

## Financial Statements

- 4 The draft financial statements were submitted for audit on 30 June 2009 in accordance with the agreed timetable. These financial statements were complete but contained errors which have been amended in the final version.
  - 5 My audit identified one material change to the main financial statements. This related to the accounting treatment of a downward revaluation of fixed assets.
  - 6 The Pension Fund accounts and notes submitted for audit were complete. A good audit trail was provided to support the financial statements. There were some minor disclosure errors identified during the course of the audit which were subsequently amended by management.
- 

## Value for money

- 7 I am satisfied that the Council, having regard to the criteria specified by the Audit Commission, have made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2009. I issued an unqualified value for money conclusion on 30 September 2009.

---

### Local risk work

- 8 In addition to my work on use of resources and to support the value for money conclusion, I also commenced a review of Health Inequalities. This is being performed in two stages. The first stage of my review found that there was a clear strategic commitment from both the PCT and Brent Council to tackle health inequalities. Stage 2 of the review is currently underway.

---

**Table 1      Audit fees**

	<b>Actual £</b>	<b>Proposed £</b>	<b>Variance £</b>
Audit (excluding Pension Fund)	476,500	441,500	35,000
Pension Fund	38,000	38,000	0
<b>Total audit fees</b>	<b>515,500</b>	<b>479,500</b>	<b>35,000</b>

---

- 9 Additional audit fee has been charged due to additional work being undertaken on disclosure in respect of Icelandic banks, debt restructure and devolved nature of the financial ledger system.
- 10 In addition to the main audit fee, I am in the process of auditing eleven government grants and returns and the estimated fee for these is £85,000 (2007/08 £149,000).

---

### Actions

- 11 Recommendations are shown within the body of this report and have been agreed with the audited body.

---

### Independence

- 12 I can confirm that the audit has been carried out in accordance with the Audit Commission's policies on integrity, objectivity and independence.

---

# Financial statements and annual governance statement

**The Council's financial statements and annual governance statement are an important means by which the Council accounts for its stewardship of public funds.**

---

## Significant issues arising from the audit

- 13** The financial statements presented for audit were generally of a good standard requiring few amendments. There was one significant issue arising from the audit of the Council's financial statements. During 2008/09 the Council obtained a valuation of certain leisure and educational land and building operational assets as part of its five-year rolling programme. The valuation reported an upward valuation of some assets by £34.43 million and a downward valuation of some assets by £19.97 million. The Council's treatment in the draft financial statements was not correct as the downward revaluation should have been recognised through the Income and Expenditure account. The impact of this amendment is to increase the revaluation reserve by £19.97 million with a corresponding adjustment to the Statement of Total Recognised Gains and Losses. This was reported in our Annual Governance Report to the Audit Committee on 24 September 2009.
- 14** My audit of the Pension Fund identified one material error which the Council adjusted. This related to the valuation of a private equity investment. This was reported in detail in our Pension Fund Annual Governance Report to the Audit Committee on 24 September 2009.

Recommendation
<b>R1</b> Account for fixed asset valuations in accordance with the Local Government Statement of Recommended Practice.

---

## Material weaknesses in internal control

- 15** The Council reported weakness in its internal control arrangements for foundation schools. These matters were set out in the Council's Annual Governance Statement. I did not identify any additional significant weaknesses in your internal control arrangements.

---

### Accounting practice and financial reporting

- 16** I considered the qualitative aspects of your financial reporting. The quality of the working papers supporting the main financial statements improved this year. The audit process is protracted by the Council operating a number of different ledger systems by departments and the devolved nature of finance. We recognise that the Council has a phased plan for the introduction of a single accounting system, scheduled for completion by March 2010, which should lead to more efficient financial reporting arrangements.
- 17** The balance on the Council's Collection Fund account reserve has a deficit of £1.5 million. This balance is being recovered as part of the 2009/10 budget. The Council has a statutory duty to review collections rates for Council Tax annually, as part of the budget process, and agree that any estimated deficit is recovered in the following year.

---

### International Financial Reporting Standards (IFRS)

- 18** The Council is required to prepare their financial statements under IFRS from 2010/11. The main impact of this is likely to be on the accounting treatment of fixed assets, leases, Private Finance Initiatives (PFI) and employee benefits. Some aspects of IFRSs relating to PFI, need to be implemented from 2009/10.
- 19** The introduction of IFRS is challenging. The aspects relating to the Council's four PFI schemes are complex as the schemes need to have their accounting treatment revised retrospectively from the date that the original agreements were signed. Officers have produced a project plan. This will be reported to Members on the impact of the introduction of IFRS at the beginning of 2010. The Council will need to make sure that appropriate resources are available in order that the financial statements are prepared accurately, meeting statutory deadlines and in line with IFRS.

#### Recommendation

- R2** Report to Members on matters relating to the introduction of IFRS and to ensure that appropriate resources are made available to meet the deadlines.

# Value for money and use of resources

I consider how well the Council is managing and using its resources to deliver value for money and better and sustainable outcomes for local people, and give a scored use of resources judgement. I also assess whether the Council put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money (VFM) conclusion.

## Use of resources judgements

- 20** In forming my scored use of resources judgements, I have used the methodology set out in the [use of resources framework](#). Judgements have been made for each key line of enquiry (KLOE) using the Audit Commission’s current four point scale from 1 to 4, with 4 being the highest. Level 1 represents a failure to meet the minimum requirements at level 2.
- 21** I have also taken into account, where appropriate, findings from previous use of resources assessments (updating these for any changes or improvements) and any other relevant audit work. The Council's use of resources theme scores, and underlying KLOE scores are shown in Table 2 below.

**Table 2 Use of resources theme scores**

Use of resources theme and KLOE	Scored judgement
<b>Managing finances</b>	<b>3</b>
• Financial planning	3
• Understanding costs and achieving efficiencies	3
• Financial reporting	2
<b>Governing the business</b>	<b>2</b>
• Commissioning and procurement	2
• Data quality and use of information	2
• Good governance	2
• Risk management and internal control	2
<b>Managing resources</b>	<b>2</b>
• Use of natural resources	2
• Strategic asset management	3

---

## Managing finances

- 22** The Council clearly integrates its financial planning with strategic and service planning on a long term basis. Medium term financial plans are approved each year alongside the budget in addition the Council produces a 30-year plan. The Council has a good record of delivering on its annual budget plans. Reserves are maintained at the level determined by Members.
- 23** The Council has adequate Treasury management arrangements in place. The Council's treasury management policy complied with the CIPFA Code of Practice on Treasury Management and investments were made in accordance with its investment management strategy. The Council took swift action to review its Treasury Management Strategy in light of the bank collapse and subsequently moved to a more risk adverse strategy in October 2008. The Council has taken a number of actions to the issues reported in its Treasury Management Strategy review eg reduction of risk profile, review of capacity and training, updates to Members, and responded to the Audit Commission Risk and Reward report. The Council's expected return of the original investment in Icelandic banks is currently estimated as a minimum of 87 per cent (this is subject to priority creditor status being retained for deposits in Glitnir).
- 24** Benchmarking has been used to identify high cost areas. Overall costs compare well with other services and the Council has taken targeted actions to reduce costs in high spend areas with some successes eg transformation programmes in adult and children services. However there remain areas such as waste services where costs are comparatively high. The Council has a clear efficiency programme in place and has continued to exceed its efficiency targets, despite increased demand for services. Cost and improved outcomes are clear factors in decision making with recognition of whole life costs and the wider impact on the community. Service reviews are used well to review the efficiency and effectiveness of services. However, further work is needed to demonstrate how each service review results in more efficient services and better outcomes for the recipients of services. The Council planned and secured efficiency savings of £9.6 million in 2008/09.
- 25** The Council has a robust budget monitoring process in place which delivers timely monitoring reports for all departments. Key variances are identified quickly, enabling timely intervention and forward planning. However, there is further scope for more flexible reporting during the year and for information to be accessible at any time. The financial statements were prepared in line with the timetable and there was one material error identified in the main financial statements. There was a material error in a note disclosure to the Pension fund financial statements which were subsequently adjusted by the Council. The Council has a detailed closedown plan, but it does not currently facilitate an early and efficient accounts closure. The plan needs to better consider the different systems resulting from the current, devolved structure.



### Governing the business

- 26** Overall the council has a clear vision of what it wants to achieve based on comprehensive needs analysis. The Council does not currently have an overall strategic approach to commissioning and there is variability in procurement processes and practices across the Council, particularly in relation to market management and involvement of the community and service users. There are however, some examples of effective joint procurement achieving value for money. Examples include the use of e-procurement resulting in reduced IT costs, joint procurement of IA, and the Council's energy framework agreement.
- 27** The Council has a robust framework to oversee and improve the quality of the data upon which it relies and an agreed data quality strategy that clearly sets out roles and responsibilities. The Council agreed its Data Quality Strategy in 2007 and subsequently widened it to include partnerships. The Council relies on data from a number of external organisations and partnerships - the procedures to ensure the completeness, timeliness and verification of data from these parties can be improved.
- 28** The Council has officer/Member protocols in place which sets out expectations regarding working relationships which are identified as working well. The Council promotes its ethical framework and culture throughout the organisation, with management competencies outlining the role of managers in delivering on the ethical agenda. The Council actively manages complaints, an annual review of complaints takes place and lessons learnt are built into service improvements. Member conduct is reported to the Standards Committee. There were two investigations in 2008/09 which is lower than the national average. All Members allowances and expenses are published promptly after the year end.
- 29** The Council has a risk management strategy in place. Council and Executive reports consider risks as part of their decision making role on corporate policies, including budget setting, major policy decisions, and major projects. Risks and responses are reported to executive on a regular basis. In spite of the above embedded process for risk management the Council had one failure in governance arrangements at a Foundation School. The Council acted swiftly and it is the subject of an ongoing investigation by the Council. The Council has subsequently reviewed and strengthened governance arrangements at all Foundation Schools.
- 30** The Council has a clear anti-fraud and corruption framework in place and the annual anti fraud internal audit programme looks proactively at potential fraud risk areas. There is a well resourced investigations team in place who have undertaken a number of investigations as well as running 70 seminars for all Members and staff to raise fraud awareness. The Council has appropriate standing orders, financial regulations and internal controls in place. The operation of financial systems could be strengthened as the number of fundamental systems receiving limited assurance opinions from internal audit increased in the year. This includes strengthening control account reconciliations.

## Managing resources

- 31** The Council has a strong commitment to reducing its impact on the environment, supported by the sustainability action plan. The Council has systems and processes in place to manage energy, water, waste and biodiversity. This includes the use of solar panels, low energy lighting, building energy management systems, thermal insulation, reduction in water used by parks (from 30,000m<sup>3</sup> pa to 20,000m<sup>3</sup> pa), office recycling, and biodiversity planting schemes. The Council has worked with its ALMO on a programme of works in social housing that has increased their average SAP rating from 47 to 66 as a result of fitting energy efficient condensing boilers, double glazing and roof insulation. The Council performs sustainability impact appraisals for all major projects - this required the new Civic Centre to be designed to achieve an environmental BREEAM rating of at least 'excellent'. Schemes at the new Wembley Primary School, Willesden Leisure Centre and the recently agreed housing PFI all comply with sustainability guidance built into the Council's supplementary planning guidance. The Council is revising its carbon reduction strategy in consultation with the Carbon Trust. The Council should ensure that there is reliable information available to monitor its performance and reduce consumption of natural resources in line with the targets it has set itself. This should be achieved across all parts of the organisation, including schools. In order to achieve this, the Council will need to work effectively with partners in developing, implementing and monitoring plans. The Council should also communicate the performance against planned targets to the public, stakeholders and staff and engage with them.
- 32** The Council's capital strategy and asset management plan guides effectively the Council's asset management. Strategic asset management is leading to good outcomes in terms of using assets to meet corporate priorities. Whilst the overarching strategy for assets relates to the development of a new Civic centre, the Council has used its corporate leadership on asset management to evaluate whole life costs of assets and to develop multiple use of assets to better meet the needs of the community whilst achieving VFM. Work on joint use of assets with partners and voluntary sector groups is well progressed.

### Recommendations

- R3** Expand the use of comparative information about costs and performance, in particular make greater usage of benchmarking.
- R4** Develop a strategic approach to commissioning and procurement and identify how commissioning and procurement will help to improve the delivery of and better outcomes for those who use local services.
- R5** Implement the revised carbon reduction strategy to reduce the Council's environmental impact and consumption of natural resources across all areas of the organisation in line with targets that it has set itself.

## Value for money and use of resources

---

### VFM conclusion

- 33** I assessed your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. From 2008/09, the Audit Commission specify each year, which of the use of resources KLOE are the relevant criteria for the VFM conclusion at each type of audited body.
- 34** I issued an unqualified conclusion stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.
- 

### Local risk work

- 35** In addition to my work on use of resources and to support the value for money conclusion, I also commenced a review of Health Inequalities in the area. This is being performed in two stages.
- 36** The first stage of my review found that there was a clear strategic commitment from both the PCT and Brent Council to tackle health inequalities. An interim report setting out our initial findings was issued in June 2009. Stage 2 of the review is currently underway.
- 

### Government grants

- 37** The Council have submitted 11 claims and returns that require auditing in 2008/09. I have currently completed the audit of 10 of the claims. While there are no major issues to report, of these 10 claims, 4 required a qualification letter and 8 required minor amendments from the original claims submitted.
- 

### Current financial issues

- 38** The economic downturn and banking crisis is having a significant impact on public finances and the bodies that manage them. The impact on treasury management strategies has been immediate, but there are wider and more fundamental impacts on the ability of public sector bodies to fund service delivery and capital programmes, including pressures on income streams. There are further challenges for policy priorities where patterns of demand for services are changing.
- 39** The in year financial position for the first three months showed that General Fund services could overspend by approximately £4.9 million. The main cost pressures are from children's placements (£2 million), children's disability budget (£0.6 million), parking income (£1 million). However, action has been taken to control this, which has seen the latest forecast return to a breakeven position. Any net overspending at 31 March 2010 would impact adversely on the overall financial position, and may require additional budget provision.
-

**40** The Council is undertaking an ambitious change programme set out in its new Improvement and Efficiency Strategy. The change programme is structured around three themes.

- Making the ‘One Council’ approach a reality
  - Development of the organisational infrastructure and establishment of a Business Transformation department to integrate critical support functions.
- Raising performance and maximising efficiency
  - Service reviews run by cross-council teams to develop and implement more customer-focused and effective service delivery models.
- Delivering on major projects
  - Delivering large capital schemes notably the Civic Centre, the expansion programme for schools, regeneration of Wembley and South Kilburn and the North Circular Road project.

**41** With the current economic outlook likely to result in tough financial settlements in the coming years and the demand for some services likely to increase, Council finances need to be kept under close review, both in the current year and over its medium term financial strategy.

**Recommendation**

**R6** Monitor the financial position closely and take appropriate action to meet expenditure constraints.

---

# Closing remarks

- 42 I have discussed and agreed this letter with the Chief Executive, the Director of Policy and Regeneration and the Director of Finance and Corporate Resources. I will present this letter at the Executive on 18 January 2009 and will provide copies to all Members.
- 43 Further detailed findings, conclusions and recommendations in the areas covered by our audit are included in the reports issued to the Council during the year.

---

**Table 3**      **Reports issued**

<b>Report</b>	<b>Date issued</b>
Audit and inspection plan	May 2008
Opinion plan	March 2009
Pension opinion plan	March 2009
Health Inequalities report	June 2009
Use of Resources	November 2009 (draft)
Audit opinion and value for money conclusion	September 2009
Opinion memorandum	November 2009 (draft)

- 
- 44 The Council has taken a positive and constructive approach to our audit. I wish to thank Members and staff for their support and co-operation during the audit.

Andrea White  
District Auditor  
December 2009

# Appendix 1 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
5	R1 Account for fixed asset valuations in accordance with the LG SORP.	3	Deputy Director of Finance & Corporate Resources	Yes	Our review of the closedown process will include a focus on fixed assets. We have commenced our planning for the 2009/10 accounts, as part of the implementation of IFRS, and will continue to liaise with the Audit Commission to ensure our systems and processes comply with the new arrangements.	31/03/10
6	R2 Report to Members on matters relating to the introduction of IFRS and to ensure that appropriate resources are made available to meet the deadlines.	3	Deputy Director of Finance & Corporate Resources	Yes	Project plan will be updated once CIPFA guidance finalised and reported to Audit Committee.	31/03/10
10	R3 Expand the use of comparative information about costs and performance, in particular make greater usage of benchmarking.	3	CMT and project leads	Yes	All projects in the improvement and efficiency action plan require benchmarking of current service provision.	31/03/11
10	R4 Develop a strategic approach to commissioning and procurement which will help to improve the delivery of services and provide better outcomes for those who use local services.	3	Head of Procurement	Yes	Procurement gold project will address this issue.	31/03/11
10	R5 Implement the revised carbon reduction strategy to reduce the Council's environmental impact and consumption of natural resources across all areas of the organisation in line with targets that it has set itself.	3	Director of Environment & Culture	Yes	Projects to deliver on targets agreed at Executive on 19 October 2009.	31/12/11

## Appendix 1 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
12	R6 Monitor the financial position closely and take appropriate action to meet expenditure constraints.	3	Director of Finance and Corporate Resources	Yes	The position will be monitored closely through departmental monitoring, reports to SFG and CMT and Performance and Finance reports to members. Actions are still being implemented to deal with budgetary pressures that arise.	31/03/10

---

# The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

---

## Copies of this report

If you require further copies of this report, or a copy in large print, in Braille, audio, or in a language other than English, please call 0844 798 7070.

© Audit Commission 2009

For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 0844 798 1212 Fax: 0844 798 2945 Textphone (minicom): 0844 798 2946

[www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)

---



# Audit Opinion Plan

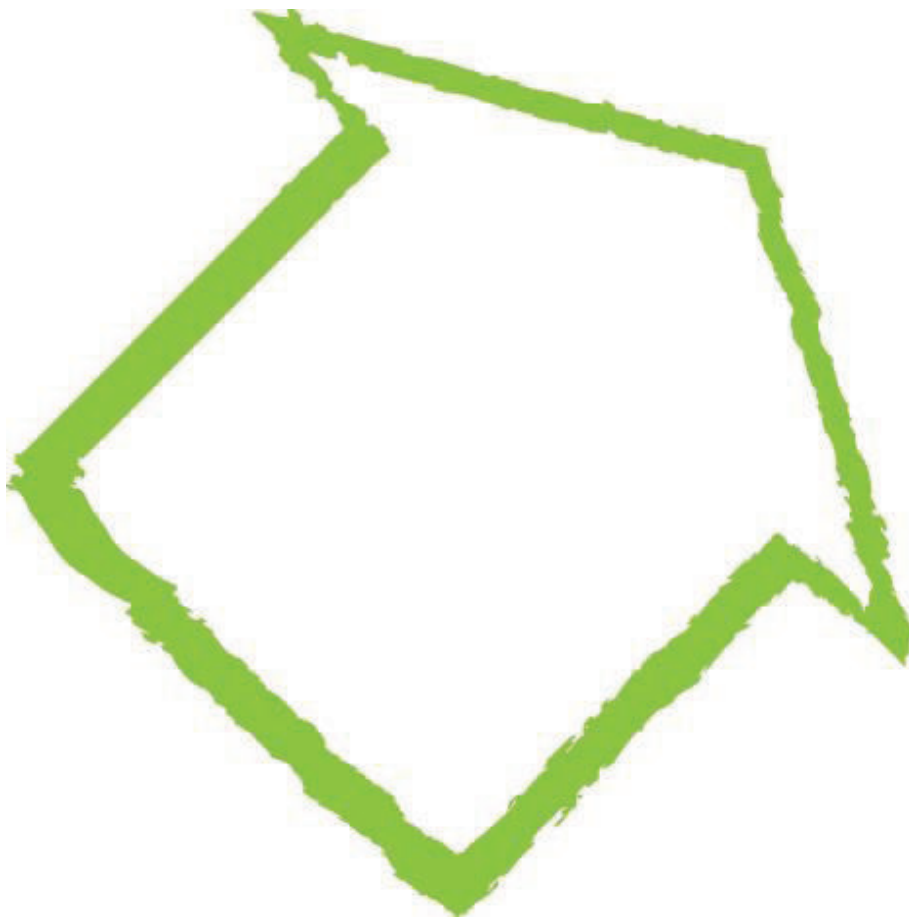
---

---

London Borough of Brent

Audit 2009/10

February 2010



---

# Contents

<b>Introduction</b>	<b>3</b>
<b>Responsibilities</b>	<b>4</b>
<b>Fee for the audit of financial statements</b>	<b>5</b>
<b>Auditors report on the financial statements</b>	<b>6</b>
<b>Identification of specific risks</b>	<b>7</b>
<b>Testing strategy</b>	<b>8</b>
<b>Key milestones and deadlines</b>	<b>10</b>
<b>The audit team</b>	<b>11</b>
<b>Appendix 1 – Basis for fee</b>	<b>13</b>
<b>Appendix 2 – Independence and objectivity</b>	<b>14</b>
<b>Appendix 3 – Working together</b>	<b>16</b>

---

## Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/ members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.

# Introduction

---

- 1 This plan sets out the audit work that we propose to undertake for the audit of financial statements 2009/10. The plan is based on the Audit Commission's risk-based approach to audit planning. It reflects:
  - audit work specified by the Audit Commission for 2009/10;
  - current national risks relevant to your local circumstances; and
  - your local risks.

---

# Responsibilities

---

- 2 The Audit Commission's Statement of Responsibilities of Auditors and of Audited Bodies sets out the respective responsibilities of the auditor and the audited body. The Audit Commission has issued a copy of the Statement to every audited body.
- 3 The Statement summarises where the different responsibilities of auditors and of the audited body begin and end, and our audit work is undertaken in the context of these responsibilities.
- 4 We comply with the statutory requirements governing our audit work, in particular:
  - the Audit Commission Act 1998; and
  - the Code of Audit Practice.

# Fee for the audit of financial statements

---

- 5 The Audit Commission scale fee for the London Borough of Brent is £430,000. The fee proposed for 2009/10 is 9 per cent above the scale fee and is within the normal level of variation specified by the Commission. The variation to the scale fee reflects the level of audit risk assessed.
- 6 The details of the structure of scale fees are set out in the Audit Commission's work programme and fee scales for 2009/10. Scale fees are based on a number of variables, including the type, size and location of the audited body.
- 7 The fee for the audit is £470,000, which is £10,000 more than indicated in my letter of 23 April 2009. This increase follows a review of the 2008/09 audit, where we found additional audit work was required to gain assurance from different accounting systems and devolved processes used within the Council.
- 8 In setting the fee, we have assumed that:
  - the level of risk in relation to the audit of accounts is largely consistent with that for 2008/09, other than the matter detailed above; and
  - Internal Audit undertakes appropriate work on all material systems, which we are able to place reliance upon. And this is available for our review by 30 April 2010.
- 9 If I need to make significant amendments to the risk assessment, I will be required to undertake additional work which is likely to result in an increased audit fee. Where this is the case, we will discuss this in the first instance with the Director of Finance and Corporate Resources and we will issue supplements to the plan to record any revisions to the risk and the impact on the fee.
- 10 Further information on the basis for the fee is set out in Appendix 1.

---

## Specific actions London Borough of Brent could take to reduce its audit fees

- 11 The Audit Commission requires its auditors to inform audited bodies of specific actions it could take to reduce its audit fees. As in previous years, we will work with staff to identify any specific actions that the Council could take and to provide ongoing audit support.

---

# Auditors report on the financial statements

---

- 12 I will carry out the audit of the financial statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board (APB).
- 13 I am required to issue an audit report giving my opinion on whether the accounts give a true and fair view of the financial position of the Council as at 31 March 2010.

---

## Identifying opinion audit risks

- 14 As part of our audit risk identification process, we need to fully understand the audited body to identify any risk of material misstatement (whether due to fraud or error) in the financial statements. We do this by:
- identifying the business risks facing the Council, including assessing your own risk management arrangements;
  - considering the financial performance of the Council;
  - assessing internal control - including reviewing the control environment, the IT control environment and Internal Audit; and
  - assessing the risk of material misstatement arising from the activities and controls within the Council information systems.

# Identification of specific risks

15 We have considered the additional risks that are appropriate to the current opinion audit and have set these out below.

**Table 1**      **Specific risks**  
Specific opinion risks identified

Risk area	Audit response
<p>Introduction of International Financial Reporting Interpretations Committee (IFRIC) 12 to replace Financial Reporting Standard (FRS) 5 to account for Private Finance Initiatives (PFIs). London Borough of Brent has four PFIs (Brent Street Lighting, Willesden Sports Centre, Social Housing Facilities, JFS). There is a risk that PFIs are incorrectly accounted for resulting in material mis-statement.</p>	<p>Accounting treatment for PFIs will be examined in detail against the requirements of IFRIC 12.</p>
<p>There is an increased risk of error from 'limited assurance' assessments by Internal audit. Payroll, a key financial system, was assessed as limited assurance in the prior year. This risk reduces our ability to rely on controls testing, and increases the need to perform substantive testing.</p>	<p>We will assess the impact of 'limited assurance' assessments by Internal audit on our audit approach.</p>
<p>Irregularities at a local school highlighted limitations in previous governance and control arrangements over Foundation schools. The Council has responded by implementing new control arrangements, such as Internal audit reviews.</p>	<p>We will review whether the new control arrangements are satisfactory and are working properly. We will consider whether we can rely on the work of Internal audit.</p>
<p>There is an increased risk that fixed assets are not valued appropriately, from our findings in 2008/09.</p>	<p>We will review the basis of year end valuations.</p>
<p>The Council is required to complete a Whole of Government Accounts (WGA) return. This is so a consolidated set of accounts for the whole of the public sector can be prepared. The basis for consolidation in 2009/10 is expected to change from UK GAAP to IFRS. Final guidance for accountants is expected in March 2010.</p>	<p>We will review the Council's arrangements to meet the new standard and guidance. And perform an audit of the final return in accordance with CLG requirements.</p>

---

# Testing strategy

---

- 16 On the basis of risks identified above we will produce a testing strategy which will consist of testing key controls and/or substantive tests of transaction streams and material account balances at year end.
- 17 Our testing can be carried out both before and after the draft financial statements have been produced (pre- and post-statement testing).
- 18 Wherever possible, we will complete some substantive testing earlier in the year before the financial statements are available for audit. We have identified the following areas where substantive testing could be carried out early:
- consolidation of service unit workbooks;
  - review of 2009/10 accounting policies;
  - agreement of opening balances;
  - year-end feeder system reconciliations;
  - sample audit of bank reconciliations;
  - investments confirmations and review of investee audit reports (SAS70s, AAF/001s);
  - physical verification and title deed review of fixed assets;
  - audit of supporting documentation to support any fixed asset revaluations;
  - sample testing of related party disclosures;
  - analytical review of payroll; and
  - controls testing, detailed in paragraph 18 below.

Where other early testing is identified as being possible, this will be discussed with officers.

- 19 Wherever possible, we seek to rely on the work of Internal Audit to help meet our responsibilities. For 2009/10 this will cover areas where we intend to perform controls testing, for this we expect to be able to use the results of the following pieces of work.
- General Ledger:
    - Finance & Corporate Resources;
    - Children & Families;
    - Housing;
    - Environment; and
    - Adult Social Care.



## Testing strategy

- Accounts Payable:
  - Finance & Corporate Resources;
  - Children & Families;
  - Housing;
  - Environment; and
  - Adult Social Care.
- Payroll.
- Treasury Management.

# Key milestones and deadlines

- 20** The Council is required to prepare the financial statements by 30 June 2010. We are required to complete our audit and issue our opinion by 30 September 2010. The key stages in the process of producing and auditing the financial statements are shown in Table 2.
- 21** We will agree with you a schedule of working papers required to support the entries in the financial statements.
- 22** Every week, we will meet with the key contact and review the status of all queries. If appropriate, we will meet at a different frequency depending upon the need and the number of issues arising.

**Table 2 Proposed timetable**

<b>Task</b>	<b>Deadline</b>
Control and early substantive testing	March to June 2010
Receipt of accounts	30 June 2010
Forwarding audit working papers to the auditor	30 June 2010
Start of detailed testing	30 June 2010
Progress meetings	Weekly
Present report to those charged with governance at the Audit committee	[xx] September 2010 (to confirm with DOF)
Issue opinion	By 30 September 2010

---

# The audit team

---

23 The key members of the audit team for the 2009/10 audit are shown in the table below.

**Table 3**      **Audit team**

Name	Contact details	Responsibilities
Andrea White District Auditor	<a href="mailto:a-white@audit-commission.gov.uk">a-white@audit-commission.gov.uk</a> 0844 798 5784	Responsible for the overall delivery of the audit including the quality of outputs, signing the opinion and conclusion, and liaison with the Chief Executive.
Paul Viljoen Audit Manager	<a href="mailto:p-viljoen@audit-commission.gov.uk">p-viljoen@audit-commission.gov.uk</a> 0208 937 1459	Manages and coordinates the different elements of the audit work. Key point of contact for the Director of Finance and Corporate Resources.
Gary McLeod Audit Manager	<a href="mailto:g-mcleod@audit-commission.gov.uk">g-mcleod@audit-commission.gov.uk</a> 0208 937 1459	Operational support for audit, direction and supervision of audit team as necessary.
James Carroll Principal Auditor	<a href="mailto:j-carroll@audit-commission.gov.uk">j-carroll@audit-commission.gov.uk</a> 0208 937 1459	Manages and coordinates day to day audit work. Key point of contact for the Deputy Director of Finance and Corporate Resources.

---

## Independence and objectivity

- 24 I am not aware of any relationships that may affect the independence and objectivity of the District Auditor and the audit staff, which we are required by auditing and ethical standards to communicate to you.
- 25 I comply with the ethical standards issued by the Auditing Practices Board (APB) and with the Commission's requirements in respect of independence and objectivity as summarised in Appendix 2.

---

## Meetings

- 26 The audit team will maintain knowledge of your issues to inform our risk-based audit through regular liaison with key officers. Our proposals are set out in Appendix 3.

---

### Quality of service

- 27 We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively, you may wish to contact the Les Kidner Head of Operations.
- 28 If we are unable to satisfy your concerns, you have the right to make a formal complaint to the Audit Commission. The complaints procedure is set out in the leaflet 'Something to Complain About' which is available from the Commission's website or on request.

---

### Planned outputs

- 29 Reports will be discussed and agreed with the appropriate officers before being issued to the Audit Committee.

---

**Table 4**      **Planned outputs**

Planned output	Indicative date
Opinion audit plan	February 2010
Annual governance report	September 2010
Auditor's report giving an opinion on the financial statements	30 September 2010
Final accounts memorandum	November 2010

---

# Appendix 1 – Basis for fee

---

- 1 The Audit Commission is committed to targeting its work where it will have the greatest effect, based upon assessments of risk and performance. This means planning work to address areas of risk relevant to our audit responsibilities and reflecting this in the audit fees.
- 2 The risk assessment process starts with the identification of the significant financial and operational risks applying to the Council with reference to:
  - our cumulative knowledge of the Council;
  - planning guidance issued by the Audit Commission;
  - the specific results of previous and ongoing audit work;
  - interviews with Council officers; and
  - liaison with Internal Audit.

---

## Assumptions

- 3 In setting the fee, I have assumed that:
  - the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2008/09;
  - you will inform us of significant developments impacting on the audit;
  - Internal Audit meets the appropriate professional standards;
  - Internal Audit undertakes appropriate work on all systems that provide material figures in the financial statements sufficient that we can place reliance for the purposes of our audit;
  - good quality working papers and records will be provided to support the financial statements by 30 June 2010;
  - requested information will be provided within agreed timescales;
  - prompt responses will be provided to draft reports; and
  - additional work will not be required to address questions or objections raised by local government electors.
- 4 Where these assumptions are not met, I will be required to undertake additional work which is likely to result in an increased audit fee.

---

# Appendix 2 – Independence and objectivity

---

- 1 Auditors appointed by the Audit Commission are required to comply with the Commission's Code of Audit Practice and Standing Guidance for Auditors, which defines the terms of the appointment. When auditing the financial statements, auditors are also required to comply with auditing standards and ethical standards issued by the Auditing Practices Board (APB).
- 2 The main requirements of the Code of Audit Practice, Standing Guidance for Auditors and the standards are summarised below.
- 3 International Standard on Auditing (UK and Ireland) 260 (Communication of audit matters with those charged with governance) requires that the appointed auditor:
  - discloses in writing all relationships that may bear on the auditor's objectivity and independence, the related safeguards put in place to protect against these threats and the total amount of fee that the auditor has charged the client; and
  - confirms in writing that the APB's ethical standards are complied with and that, in the auditor's professional judgement, they are independent and their objectivity is not compromised
- 4 The standard defines 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case, the appropriate addressee of communications from the auditor to those charged with governance is the [Audit Committee]. The auditor reserves the right, however, to communicate directly with the Council on matters which are considered to be of sufficient importance.
- 5 The Commission's Code of Audit Practice has an overriding general requirement that appointed auditors carry out their work independently and objectively, and ensure that they do not act in any way that might give rise to, or could reasonably be perceived to give rise to, a conflict of interest. In particular, appointed auditors and their staff should avoid entering into any official, professional or personal relationships which may, or could reasonably be perceived to, cause them inappropriately or unjustifiably to limit the scope, extent or rigour of their work or impair the objectivity of their judgement.

## Appendix 2 – Independence and objectivity

- 6 The Standing Guidance for Auditors includes a number of specific rules. The key rules relevant to this audit appointment are as follows.
- Appointed auditors should not perform additional work for an audited body (ie work over and above the minimum required to meet their statutory responsibilities) if it would compromise their independence or might give rise to a reasonable perception that their independence could be compromised. Where the audited body invites the auditor to carry out risk-based work in a particular area that cannot otherwise be justified as necessary to support the auditor’s opinion and conclusions, it should be clearly differentiated within the Audit and Inspection Plan as being ‘additional work’ and charged for separately from the normal audit fee.
  - Auditors should not accept engagements that involve commenting on the performance of other auditors appointed by the Commission on Commission work without first consulting the Commission.
  - The District Auditor responsible for the audit should, in all but the most exceptional circumstances, be changed at least once every five years.
  - The District Auditor and senior members of the audit team are prevented from taking part in political activity on behalf of a political party, or special interest group, whose activities relate directly to the functions of local government or NHS bodies in general, or to a particular local government or NHS body.
- 7 The District Auditor and members of the audit team must abide by the Commission’s policy on gifts, hospitality and entertainment.

# Appendix 3 – Working together

## Meetings

- 1 The audit team will maintain knowledge of your issues to inform our risk-based audit through regular liaison with key officers.
- 2 Our proposal for the meetings is as follows.

**Table 5 Proposed meetings with officers**

Council officers	Audit Commission staff	Timing	Purpose
Director of Finance and Corporate Resources	DA and AM	Monthly	General update plus: <ul style="list-style-type: none"> <li>• March - audit plan;</li> <li>• July - accounts progress; and</li> <li>• September - annual governance report.</li> </ul>
Deputy Director of Finance and Corporate Resources	AM and Team Leader (TL)	Monthly/weekly as appropriate	Update on audit issues
Audit Committee	DA and AM, with TL as appropriate	As determined by the Committee	Formal reporting of: <ul style="list-style-type: none"> <li>• Audit Plan;</li> <li>• Annual governance report; and</li> <li>• other issues as appropriate.</li> </ul>

## Sustainability

- 3 The Audit Commission is committed to promoting sustainability in our working practices and we will actively consider opportunities to reduce our impact on the environment. This will include:
  - reducing paper flow by encouraging you to submit documentation and working papers electronically;
  - use of video and telephone conferencing for meetings as appropriate; and
  - reducing travel.



---

# The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

---

## Copies of this report

If you require further copies of this report, or a copy in large print, in Braille, audio, or in a language other than English, please call 0844 798 7070.

© Audit Commission 2010

For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 0844 798 1212 Fax: 0844 798 2945 Textphone (minicom): 0844 798 2946

[www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)

---

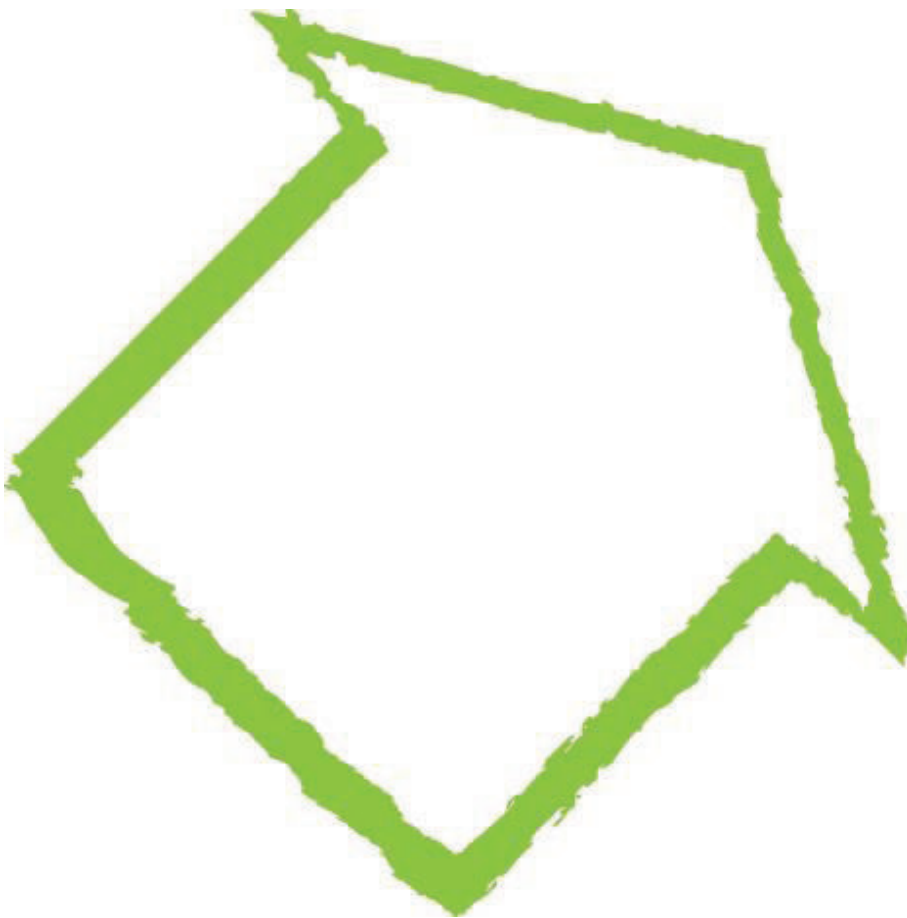
This page is intentionally left blank

# Pension Fund Opinion Plan

Brent Pension Fund

Audit 2009/2010

February 2010



---

# Contents

<b>Introduction</b>	<b>3</b>
<b>Responsibilities</b>	<b>4</b>
<b>Fee for the audit of financial statements</b>	<b>5</b>
<b>Auditors report on the financial statements</b>	<b>6</b>
<b>Identification of specific risks</b>	<b>7</b>
<b>Testing strategy</b>	<b>8</b>
<b>Key milestones and deadlines</b>	<b>9</b>
<b>The audit team</b>	<b>10</b>
<b>Appendix 1 – Basis for fee</b>	<b>12</b>
<b>Appendix 2 – Independence and objectivity</b>	<b>13</b>
<b>Appendix 3 – Working together</b>	<b>15</b>

---

## Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/ members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.

# Introduction

---

- 1 This plan sets out the audit work we propose to undertake in relation to the audit of financial statements 2009/10 for Brent Council's Pension Fund accounts. The plan is based on the Audit Commission's risk-based approach to audit planning which assesses:
  - current national risks relevant to your local circumstances; and
  - your local risks and improvement priorities.
- 2 I will discuss and agree this plan, and any reports arising from the audit, with the Pension Fund Sub Committee. However, as the pension fund accounts remain part of the financial statements of Brent Council as a whole, the Audit Committee will retain ultimate responsibility for receiving, considering and agreeing the audit plans, as well as receiving and considering any reports arising from the audit.
- 3 The audit planning process for 2009/10, including the risk assessment, will continue as the year progresses and the information and fees in this plan will be kept under review and updated as necessary.

---

# Responsibilities

---

- 4 The Audit Commission's Statement of Responsibilities of Auditors and of Audited Bodies sets out the respective responsibilities of the auditor and the audited body. The Audit Commission has issued a copy of the Statement to every audited body.
- 5 The Statement summarises where the different responsibilities of auditors and of the audited body begin and end, and our audit work is undertaken in the context of these responsibilities.
- 6 We comply with the statutory requirements governing our audit work, in particular:
  - the Audit Commission Act 1998; and
  - the Code of Audit Practice.
- 7 Specifically, the work of auditors on pension fund accounts is defined by the Auditing Practices Board practice note 15 on the audit of pension fund accounts.

# Fee for the audit of financial statements

---

- 8 The fee for the audit is £38,475, as indicated in my letter of 23 April 2009.  
In setting the fee, we have assumed that the general level of risk in relation to the audit of the pension fund accounts will not be significantly different from that identified when planning the 2008/09 audit.
- 9 If I need to make significant amendments to the risk assessment, I will be required to undertake additional work which is likely to result in an increased audit fee. Where this is the case, we will discuss this in the first instance with the Director of Finance and then we will issue supplements to the plan to record any revisions to the risk and the impact on the fee.
- 10 Further information on the basis for the fee is set out in Appendix 1.

---

## Specific actions Brent Pension Fund could take to reduce its audit fees

- 11 The Audit Commission requires its auditors to inform audited bodies of specific actions it could take to reduce its audit fees. As in previous years, we will work with staff to identify any specific actions that Brent Pension Fund could take and to provide ongoing audit support.

---

# Auditors report on the financial statements

---

- 12 I will carry out the audit of the financial statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board (APB).
- 13 I am required to issue an audit report giving my opinion on whether the pension fund financial statements presents fairly the financial position of Brent Pension Fund as at 31 March 2010 and its income and expenditure for the year then ended.
- 14 I am also required to review the pension fund annual report, which is required to be produced under Regulation 34 of the Local Government Pension Scheme (Administration) Regulations 2008.

---

## Identifying opinion audit risks

- 15 As part of our audit risk identification process we need to fully understand the audited body to identify any risk of material misstatement (whether due to fraud or error) in the financial statements. We do this by:
  - identifying the business risks facing Brent Pension Fund, including assessing your own risk management arrangements;
  - considering the financial performance of Brent Pension Fund;
  - assessing internal control - including reviewing the control environment, the IT control environment and Internal Audit; and
  - assessing the risk of material misstatement arising from the activities and controls within Brent Pension Fund information systems.



# Identification of specific risks

- 16 We have considered the additional risks that are appropriate to the current opinion audit and have set these out below.

**Table 1**      **Specific risks**  
Specific opinion risks identified

Risk area	Assertions	Audit response
<p><b>Unquoted Investments</b></p> <p>The valuation of unquoted investments is potentially a very complex area. There are risks around accurate valuation at year end.</p>	<p>Disclosure</p> <p>Valuation &amp; allocation</p>	<p>We will review the processes for the valuation of investments and the accounting treatment and disclosure to determine if investments are recorded at appropriate valuations at the year end.</p>
<p><b>Investment Commitments</b></p> <p>The Pension Fund accounts are required to disclose the value of outstanding investment commitments. There are risks regarding the completeness of the disclosures in the accounts.</p>	<p>Disclosure</p> <p>Completeness</p>	<p>We will review the final accounts against disclosures required by the Pension Statement of Recommended Practice (SORP). We will review arrangements implemented by the Council, and sample test fund manager reports to ensure all investment commitments are disclosed.</p>
<p><b>Statement of Recommended Practice (SoRP)</b></p> <p>The Pension Fund accounts are required to be fully compliant with the SoRP.</p>	<p>Disclosure</p>	<p>We will share the SORP disclosure checklist with the Authority to assist in preparation of the accounts.</p> <p>We will review compliance against the SORP, once the final accounts have been produced.</p>

---

# Testing strategy

---

- 17 On the basis of risks identified above we will produce a testing strategy which will consist of testing key controls and/or substantive tests of transaction streams and material account balances at year end.
- 18 Our testing can be carried out both before and after the draft financial statements have been produced (pre- and post-statement testing). However, the final levels of substantive testing can only be made once accounts have been presented for audit.
- 19 Wherever possible, we will complete some substantive testing earlier in the year before the financial statements are available for audit. We have identified the following areas where substantive testing could be carried out early:
  - Investigating the possibility of adopting a controls-based approach in respect of contributions received, benefits paid and/or transfers in and out to reduce the extent of substantive testing at the final accounts stage of the audit. If this approach is not feasible, we will perform some early substantive testing of transfers in and out; and
  - Request direct confirmation of investments and investment audit reports (AAF/001s and/or SAS70s) from fund managers and the custodian.

Where other early testing is identified as being possible this will be discussed with officers.

- 20 Wherever possible we seek to rely on the work of Internal Audit to help meet our responsibilities. For 2010/11, we will discuss with Internal Audit their audit plan to enable the identification of areas of work on which we may place reliance in the future.

---

# Key milestones and deadlines

---

- 21 Brent Pension Fund is required to prepare the financial statements by 30 June 2010. We are required to complete our audit and issue our opinion by 30 September 2010. The key stages in the process of producing and auditing the financial statements are shown in Table 2. We have provided indicative dates, and will agree these with the Director of Finance before the commencement of the interim audit.
- 22 We will agree with you a schedule of working papers required to support the entries in the financial statements.
- 23 We will meet with the key contact and review the status of all queries while on site. If appropriate, we will meet at a different frequency depending upon the need and the number of issues arising.

---

**Table 2**      **Proposed timetable**

<b>Task</b>	<b>Deadline</b>
Control and early substantive testing	March 2010
Receipt of accounts	June 2010
Forwarding audit working papers to the auditor	June 2010
Start of detailed testing	July 2010
Progress meetings	Weekly during on site fieldwork
Present report to those charged with governance at the Audit committee	September 2010
Issue opinion	By 30 September 2010

---

# The audit team

24 The key members of the audit team for the 2009/10 audit are shown in the table below.

**Table 3**      **Audit team**

Name	Contact details	Responsibilities
Andrea White District Auditor	a-white@audit-commission.gov.uk 0844 798 5784	Responsible for the overall delivery of the audit including the quality of outputs, signing the opinion and conclusion, and liaison with the Chief Executive.
Paul Viljoen Audit Manager	p-viljoen@audit-commission.gov.uk 0844 798 2688	Manages and coordinates the different elements of the audit work. Key point of contact for the Director of Finance and the Head of Pensions.
Rehana Ebrahim Principal Auditor	r-ebrahim@audit-commission.gov.uk	Responsible for managing the on site audit work on a daily basis. Key point of contact for the Finance Manager.

## Independence and objectivity

- 25 I am not aware of any relationships that may affect the independence and objectivity of the District Auditor and the audit staff, which we are required by auditing and ethical standards to communicate to you.
- 26 I comply with the ethical standards issued by the APB and with the Commission's requirements in respect of independence and objectivity as summarised in Appendix 2.

## Meetings

- 27 The audit team will maintain knowledge of your issues to inform our risk-based audit through regular liaison with key officers. Our proposals are set out in Appendix 3.

## Quality of service

- 28 We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact the London Head of Operations, Les Kidner (l-kidner@audit-commission.gov.uk).

## The audit team

- 29 If we are unable to satisfy your concerns, you have the right to make a formal complaint to the Audit Commission. The complaints procedure is set out in the leaflet 'Something to Complain About' which is available from the Commission's website or on request.

---

### Planned outputs

- 30 Reports will be discussed and agreed with the appropriate officers before being issued to the Pensions Committee.

---

**Table 4**      **Planned outputs**

<b>Planned output</b>	<b>Indicative date</b>
Opinion audit plan	January 2010
Annual governance report	September 2010
Auditor's report giving an opinion on the financial statements	September 2010
Annual Audit Letter	November 2010

---

---

# Appendix 1 – Basis for fee

---

- 1 The Audit Commission is committed to targeting its work where it will have the greatest effect, based upon assessments of risk and performance. This means planning work to address areas of risk relevant to our audit responsibilities and reflecting this in the audit fees.
- 2 The risk assessment process starts with the identification of the significant financial and operational risks applying to the Pension Fund with reference to:
  - our cumulative knowledge of Brent pension Fund;
  - planning guidance issued by the Audit Commission;
  - the specific results of previous and ongoing audit work;
  - interviews with Brent Pension Fund officers; and
  - liaison with Internal Audit.

---

## Assumptions

- 3 In setting the fee, I have assumed that:
  - the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2008/09;
  - you will inform us of significant developments impacting on the audit;
  - Internal Audit meets the appropriate professional standards;
  - Internal Audit have assessed the appropriateness of management response to external audit recommendations in relation to the 2008/09 financial statements audit;
  - good quality working papers and records will be provided to support the financial statements together with delivery of draft financial statements;
  - requested information will be provided within an agreed protocol and timescale framework;
  - prompt responses will be provided to draft reports; and
  - additional work will not be required to address questions or objections raised by local government electors.
- 4 Where these assumptions are not met, I will be required to undertake additional work which is likely to result in an increased audit fee.

# Appendix 2 – Independence and objectivity

---

- 1 Auditors appointed by the Audit Commission are required to comply with the Commission's Code of Audit Practice and Standing Guidance for Auditors, which defines the terms of the appointment. When auditing the financial statements, auditors are also required to comply with auditing standards and ethical standards issued by the Auditing Practices Board (APB).
- 2 The main requirements of the Code of Audit Practice, Standing Guidance for Auditors and the standards are summarised below.
- 3 International Standard on Auditing (UK and Ireland) 260 (Communication of audit matters with those charged with governance) requires that the appointed auditor:
  - discloses in writing all relationships that may bear on the auditor's objectivity and independence, the related safeguards put in place to protect against these threats and the total amount of fee that the auditor has charged the client; and
  - confirms in writing that the APB's ethical standards are complied with and that, in the auditor's professional judgement, they are independent and their objectivity is not compromised
- 4 The standard defines 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case, the appropriate addressee of communications from the auditor to those charged with governance is the [Pension Fund Committee]. The auditor reserves the right, however, to communicate directly with the Council on matters which are considered to be of sufficient importance.
- 5 The Commission's Code of Audit Practice has an overriding general requirement that appointed auditors carry out their work independently and objectively, and ensure that they do not act in any way that might give rise to, or could reasonably be perceived to give rise to, a conflict of interest. In particular, appointed auditors and their staff should avoid entering into any official, professional or personal relationships which may, or could reasonably be perceived to, cause them inappropriately or unjustifiably to limit the scope, extent or rigour of their work or impair the objectivity of their judgement.

- 6 The Standing Guidance for Auditors includes a number of specific rules. The key rules relevant to this audit appointment are as follows:
- Appointed auditors should not perform additional work for an audited body (ie work over and above the minimum required to meet their statutory responsibilities) if it would compromise their independence or might give rise to a reasonable perception that their independence could be compromised. Where the audited body invites the auditor to carry out risk-based work in a particular area that cannot otherwise be justified as necessary to support the auditor's opinion and conclusions, it should be clearly differentiated within the Audit and Inspection Plan as being 'additional work' and charged for separately from the normal audit fee;
  - Auditors should not accept engagements that involve commenting on the performance of other auditors appointed by the Commission on Commission work without first consulting the Commission;
  - The District Auditor responsible for the audit should, in all but the most exceptional circumstances, be changed at least once every five years;
  - The District Auditor and senior members of the audit team are prevented from taking part in political activity on behalf of a political party, or special interest group, whose activities relate directly to the functions of local government or NHS bodies in general, or to a particular local government or NHS body; and
  - The District Auditor and members of the audit team must abide by the Commission's policy on gifts, hospitality and entertainment.



# Appendix 3 – Working together

## Meetings

- 1 The audit team will maintain knowledge of your issues to inform our risk-based audit through regular liaison with key officers.
- 2 Our proposal for the meetings is as follows.

**Table 5 Proposed meetings with officers**

Council officers	Audit Commission staff	Timing	Purpose
Director of Finance	Audit Manager (AM) and Team Leader (TL)	March, July, September	General update plus: March - audit plan July - accounts progress September - annual governance report
Head of Pensions	AM and TL	Quarterly	Update on audit issues
Pension Fund Committee	District Auditor (DA) and AM, with TL as appropriate	As determined by the Committee	Formal reporting of: Audit Plan Annual governance report Other issues as appropriate

## Sustainability

- 3 The Audit Commission is committed to promoting sustainability in our working practices and we will actively consider opportunities to reduce our impact on the environment. This will include:
  - reducing paper flow by encouraging you to submit documentation and working papers electronically;
  - use of video and telephone conferencing for meetings as appropriate; and
  - reducing travel.

---

# The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

---

## Copies of this report

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0844 798 7070.

© Audit Commission 2008

For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 0844 798 1212, Fax: 0844 798 2945, Textphone (minicom): 0844 798 2946

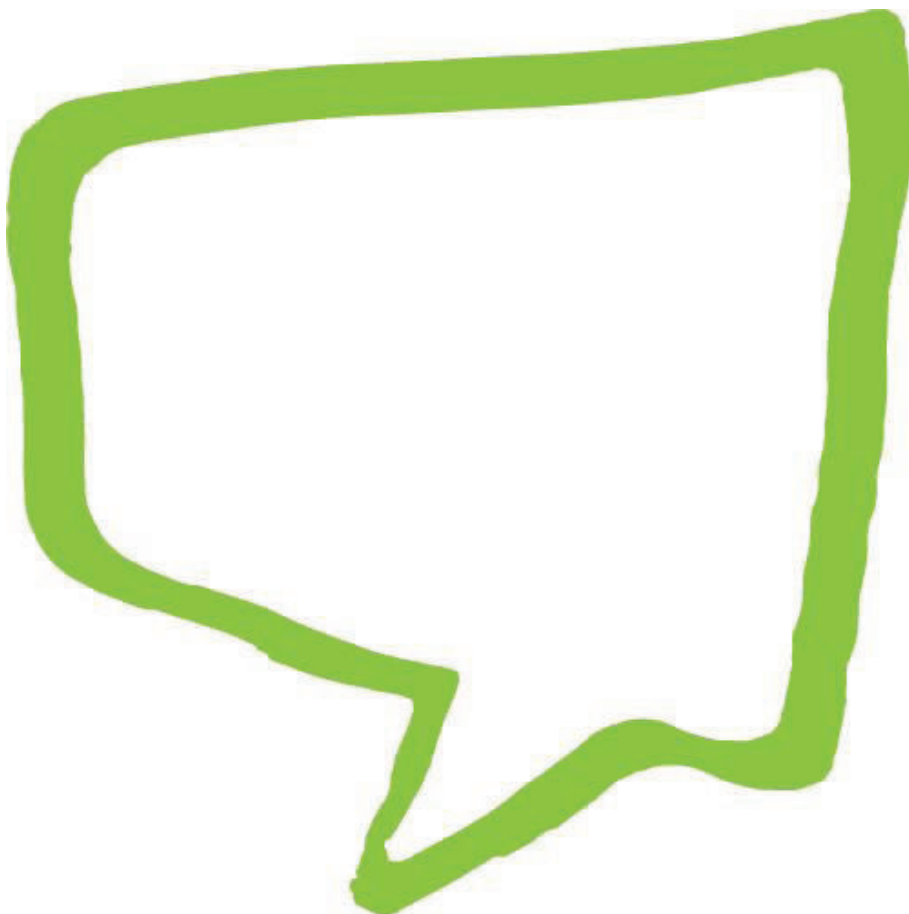
[www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)

# Human Resources - Follow-up

Brent London Borough Council

Audit 2009/10

January 2010



---

# Contents

<b>Introduction and background</b>	<b>3</b>
<b>Audit approach</b>	<b>5</b>
<b>Main conclusions</b>	<b>6</b>
<b>Appendix 1 – Action plan</b>	<b>10</b>

---

## Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/ members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.

# Introduction and background

- 1 Effective human resource (HR) management is of fundamental importance in local authorities. Local government is largely a provider of services, and it is employees who provide these services. Local authorities achieve success through people. But people costs are high. About half of local authority spending goes on employees.
- 2 Since 2003, we have undertaken three separate reviews of Brent's HR service. Our 2005 review found that, although there had been some improvements since 2003, the pace of change was too slow. Some areas such as managing sickness absence, improved, but other weaknesses remained. In particular, HR was not managing strategic issues effectively. At the time, there was no formal HR strategy. Leadership was not strong enough to tackle long-term problems in the HR service. We made seven recommendations.
- 3 Our most recent review, in early 2008, considered progress made on our 2005 recommendations. We found the Council had made progress on all of these, but work was not complete on some of them. In summary, we found that:
  - the role of the HR service was clear;
  - leadership of HR was stronger. The Council appointed Strategic Human Resources Managers (SHRMs) in 2006. However HR was not always visible at a strategic level. It was not a strong force for change across the Council;
  - HR received limited support, challenge and scrutiny by Chief Officers and Councillors, although the Chief Executive and one corporate Director played active roles;
  - the Council had put in place a People (HR) Strategy, but because monitoring systems were still in development, it was hard for those outside the HR team to assess what progress it was making; and
  - the Council had appraised options for the future delivery of HR and made its choice based on a sound business case.
- 4 Our overall conclusion was that HR had improved since 2005. However, there was more for HR to do to secure further improvement. This included:
  - progressing work on learning and development to ensure this met current and future needs;
  - developing more robust arrangements to allow senior HR managers, Chief Officers and Councillors to oversee the corporate health of the organisation;
  - using benchmarking consistently to compare the Council's performance with that of other organisations;
  - completing work on core tasks such as revising HR policies and implementing the delayed single status agreement;
  - giving early warning to Chief Officers and Councillors about potential problems;

- proving the extent to which the People Strategy and the new HR structures have improved performance and skill levels across the Council, as this is not currently clear; and
- further strengthening the leadership role of HR so it is a force for change across the Council.

Until these are in place, the HR service will not work at maximum effectiveness.

- 5 Since our 2008 review, the senior management of HR has changed. The role of Director of HR no longer exists. An Assistant Director (HR) now reports to the Director of Business Transformation.

# Audit approach

- 6 Our 2009 work followed up progress on our 2008 recommendations, which were as follows.
- Clarify the role of Strategic Human Resources Managers (SHRMs) in balance between strategy and casework.
  - Consider how to further strengthen the leadership role of HR throughout the Council.
  - Agree a set of key performance indicators for the Strategic Human Resources Group (SHRG) so it can measure its impact. Monitor these routinely.
  - Agree a set of performance indicators which allow CMT and Councillors to measure the success of HR, such as vacancy rates, staff turnover and use of agency staff.
  - Where there are early suggestions of a developing concern within the organisation, HR to brief the chief officer management team in a proactive way.
  - Wherever practicable in action plans, benchmark the Council's performance against that of other councils or similar organisations.
  - Review the suggestions made by focus groups for improving the HR service. In particular, take account of their comments on internal communication about changes in HR.
- 7 We reviewed the Council's documents and interviewed the Chief Executive; senior managers; HR staff and the lead Member for HR.

---

# Main conclusions

---

## Summary

- 8 HR has improved since 2008. It is now at the centre of the Council's business transformation plans. HR is proactive at giving early warning of potential workforce problems and suggesting solutions. Councillors and CMT now receive good performance information on HR and use this to take decisions. Chief officers see comparative information on key areas such as sickness absence and employee turnover. The Council plans to do more benchmarking, which is useful. Overall, the Council's business transformation plans are extremely challenging, but HR is now better placed to help deliver these.
- 9 The role of the Strategic Human Resources Managers (SHRMs) is now about strategy rather than routine casework. While Directorates understand the need for this change, some are not enthusiastic. Communications channels have been set up to embed HR policy and practice, but it is too soon to see how well they work in practice. The role of the Strategic Human Resources Managers Group is still not clear enough. The Council should review this role.

---

## Does the Strategic Human Resources Managers' (SHRM) role strike the right balance between strategy and casework?

- 10 The role of the Strategic Human Resources Managers (SHRMs) is now clearer than in 2008. Focus is on strategy rather than casework. When the Council reorganised HR in March 2009, it reviewed the SHRM role. SHRMs are now responsible for strategic HR in Directorates, where they are members of Directorate Management Teams (DMTs). Each SHRM leads on a corporate HR issue such as employee relations or workforce development. Directorate staff are now responsible for routine casework although SHRMs will still deal with unusual or complex cases. This division of responsibility is clear and well-understood across the Council.
- 11 However, the change has led to some tension. Directorates generally value their SHRMs' advice and some are reluctant to see SHRMs pulling out of routine casework. To signal a fresh start, the Council has decided to move all SHRMs to different Directorates. This decision is justified and should help SHRMs work in new ways.
- 12 The Council has satisfied itself that SHRMs offer value for money. SHRM posts are senior ones and well-paid compared with other authorities. In a context of organisational change and staff cuts, the Council has to be sure that this outlay is worthwhile. SHRMs are providing high-level, professional advice to Directorates and the Council during a period of risk. For example, they advise on handling redundancies, grievance cases, and employee relations. SHRMs are providing assurance to senior managers so their cost is justified in the present climate.



## Main conclusions

---

### Does HR have a clear leadership role?

- 13 HR now has a higher profile role within the Council than in 2008. In 2008, HR provided a reactive, traditional personnel service. It is now at the centre of business transformation, which is a top priority for the Council. HR reports to the Director of Business Transformation, which reinforces its important role. Personnel changes in HR have also made it more effective. The Assistant Director (HR) attends Corporate Management Team (CMT) regularly and although there is sometimes lively debate, such as on handling disciplinary cases, HR now has a clear and influential role in CMT.

### How well does SHRG work?

- 14 The Strategic Human Resources Group (SHRG's) role is still not clear enough. Its remit does not reflect the Council's current circumstances. In 2008, we said that, because the chair was a corporate director not the head of HR, there was a missed opportunity for HR to provide leadership and direction. The SHRG chair is still a corporate director, but HR now has a strong role on the corporate management team. The context is different in other ways. In particular, SHRMs are now well-established on departmental management teams. The Council does not need SHRG to bring together directorates and the central HR team.
- 15 SHRG now receives workforce data but does little to drive improvement. In 2008, we said that SHRG did not receive good performance information and did not pay enough attention to outcomes. Although SHRG now receives similar information to the corporate management team, it is not clear how it uses this to drive improvement. For example, SHRG did not challenge data on changing trends in employee relations cases. The main value of the group is to test and amend new HR policies before these reach chief officers. Another forum could do this equally well and it is difficult to measure what value SHRG adds.

### Recommendation

- R1** Consider whether the Council still needs SHRG as currently established.
- Costs: potential savings in officer time.
  - Benefits: better use of time; remove duplication.

---

### Do the corporate management team and Councillors get useful management information?

- 16 Chief officers and councillors now receive useful information in an accessible format. Monthly and quarterly dashboard reports show how well the Council is doing in important areas like sickness absence, employee turnover and number of agency staff. The head of HR produces a useful commentary to show where the problems are. This means CMT and Councillors now know which issues to tackle. For example, improved information caused the Lead Member to investigate sickness in a particular team. Similarly, the Council understood the impact of swine flu and could plan for this. Statistics on employee numbers and turnover are now much more reliable. The Council used these confidently to decide how many posts to delete in 2009/10 as part of its initial downsizing exercise.
- 17 Some senior managers have reservations about the accuracy of data across the Council. Work is going on to improve this. Despite this concern, management information is much better than it was in 2008.

---

### Is HR proactive?

- 18 HR is much better at giving early warnings and putting forward ideas than it was in 2008. As we have already said, chief officers take account of advice from HR. HR is now more active in several ways. They give early briefings of potential problems. For example, they explained the implications of London weighting changes to the Lead Member and Leader well before discussions with unions began. HR managers also suggest ideas to CMT. For example, HR warned CMT that delaying decisions about the workforce could cost up to £1 million a month in lost savings. This led to prompt action. When CMT was planning to downsize, the work undertaken by HR, to provide a package of efficiency measures, enabled proposed savings from overtime and agency staff to be actioned rather than just reducing the number of posts. This should help the Council reduce the need for redundancies and stay on track to meet its planned savings targets for 2009 to 2013.

---

### Does the Council use workforce benchmarking?

- 19 The Council now uses workforce benchmarking in some key areas and plans to extend this. In 2008, the Council did not routinely compare itself with other authorities. Now the dashboard reports show how the Council performs against other London boroughs in areas like agency staff, sickness absence, and turnover. Councillors and officers use this information. For example the Lead Member recently reassured himself that Brent's sickness levels were in the best 25 per cent of London boroughs. Similarly, data showed that 16.4 per cent of Brent's workforce came from agencies, compared with 14.8 per cent in London as a whole. This helped CMT decide to use agencies less. The dashboard also plots trends within Brent. It is easy to see whether something like sickness absence is getting better or worse. Managers told us they would like more detailed benchmarked data and work is underway on this.

## Main conclusions

- 20 Workforce benchmarking also helped the Council plan its business transformation. For example, it showed that in Brent, managers supervised fewer staff than average for London boroughs. Brent had more back office and fewer front-line staff than average. The Council is using this knowledge to help develop its wider organisational transformation.

---

### How good is communication about changes in HR?

- 21 The Council has developed several good communications channels to embed HR practice. These include team briefing, changes to the internet, newsletters and seminars. It is too soon to tell how effective these are in practice, but early signs are encouraging. For example, most recent items in the 'What's new?' section of the intranet are about HR. The Council has plans to evaluate how successfully it communicates with staff, and this will build on the recent feedback to the annual staff survey.
- 22 There are good plans to develop 'change communities' within Directorates, facilitated by SHRMs. The Council plans for this to gather momentum and importance in 2010 as it implements the One Council delivery programme. As well as sharing information, the change communities will work together on managing changes. This is a good idea but it is too early to show an impact.

# Appendix 1 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
7	R1 Consider whether the Council still needs a strategic human resources group as currently established.	Low	CMT	Yes	Strategic HR report to CMT on 7 January 2010 will action this recommendation.	By 31 March 2009

---

# The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

---

## Copies of this report

If you require further copies of this report, or a copy in large print, in Braille, audio, or in a language other than English, please call 0844 798 7070.

© Audit Commission 2010

For further information on the work of the Commission please contact:


Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 0844 798 1212 Fax: 0844 798 2945 Textphone (minicom): 0844 798 2946

[www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)

---

This page is intentionally left blank

	<p style="text-align: center;"><b>Audit Committee</b> 3<sup>rd</sup> March 2010</p> <p style="text-align: center;"><b>Report from the Director of Finance and Corporate Resources</b></p>
For Action	Wards Affected: ALL
<b>International Financial Reporting Standards</b>	

## 1. Summary

- 1.0 Local Authorities are required to convert their accounts to being based upon International Financial Reporting Standards from UK Generally Accepted Accounting Practice. The report sets out the process for the transition, highlights the key changes, and summarises progress to date.

## 2. Recommendations

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

## 3. Detail

- 3.1 In the 2007 Budget, the Chancellor announced that the UK would move to using International Financial Reporting Standards (IFRS) in the financial year 2008-9 for the whole of government accounts. The move was delayed a year to 2009-10 by Government with the 2008 Budget. The move to IFRS for the whole of government accounts was motivated by a desire to increase consistency and comparability between Government accounts internationally.
- 3.2 Once Central Government was committed to moving to IFRS for the whole of government accounts, it was inevitable that local authorities would be required to report under IFRS as well. For most of the changes, the implementation of IFRS in local authorities is a year later than Central Government and the NHS, with the first full IFRS based accounts produced in 2010-11. The exception to this delay is for the changes connected with the Public Finance Initiative: these changes are being implemented in the current financial year, 2009-10.
- 3.3 There is a legal requirement for the Council to prepare its accounts in line with the new IFRS based standards. The Code of Practice on Local Authority Accounting in the United Kingdom (the code) sets out the proper accounting practices required by section 21(2) of the Local Government Act 2003, which

apply to the Statements of Accounts prepared in accordance with the statutory framework established for England by the Accounts and Audit Regulations 2003.

- 3.4 To meet with the requirements for local authorities to produce IFRS based accounts, the code for the 2010-11 is no longer based on UK Generally Accepted Accounting Practice (UK GAAP), but upon IFRS.
- 3.5 The financial year 2009-2010 is the transitional year, and accounts for this year have to be stated under both UK GAAP and IFRS. The restatement to the IFRS format will be completed subsequent to the audit of the accounts in GAAP format. This will involve restating the balance sheet as at 1<sup>st</sup> April 2009, the Income and Expenditure Account for the financial year 2009-2010, and the balance sheet as at 1<sup>st</sup> April 2010. The restated figures will be used as comparatives for the 2010/11 first set of IFRS accounts.

### **Key changes and impacts under IFRS**

- 3.6 **Leases** – IFRS sets out a more comprehensive test to determine if leases are finance leases, and hence need to be included on the balance sheet. This change is likely to result in more finance leases being recognised.
- 3.7 The impact of the increased recognition of finance leases will be to increase the values of the Council's assets and liabilities on its balance sheet, recognising the assets that are being leased. Central government is currently consulting on proposals to ensure that these changes have no impact upon the statement of movement of the general fund, and hence no impact on council tax. The increased recognition of finance leases might require the Council to increase its Prudential Borrowing limit, to recognise its additional liabilities.
- 3.8 Another possible impact of these changes would affect the treatment of income received by the council in respect of assets leased to another organisation. Under a proposal currently being considered by the government the income from any new finance leases would need to be treated as a capital receipt.
- 3.9 **Service concessions and embedded leases** – IFRS introduces two definitions of contracts where there might be leases embedded within a contract that is not called a lease. Service Concessions are contracts where an outside body provides a service that is controlled by the council utilising assets nominally belonging to the outside body, but the residual value for which returns to the council at the end of contract, or is negligible. Embedded leases are contracts that contain a lease as well as other elements. These two types of contract will result in the council having to disclose leases upon the assets used. Where these leases are finance leases they will have to be recognised on the balance sheet. In cases where there is a service provided by the outside body then these leases will have to be recognised in the 2009-2010 Statement of Accounts with restatement of 2008-9 position.



- 3.10 **Private Finance Initiative (PFI)** – under IFRS PFI arrangements entered into by the council are a type of service concession, and therefore will be brought on balance sheet having previously been kept off balance sheet. The authority will recognise both the assets associated with the PFI and a liability representing future payments. Unlike other areas of IFRS changes, this change is being introduced in the 2009-10 code with restatement of 2008-9.
- 3.11 The impact of the introduction of Service Concessions and Embedded Leases will be similar to the impact of the changes to leases. More finance leases will be recognised, increasing the Council's assets and liabilities. Again, the increased recognition of finance leases might require the Council to increase its Prudential Borrowing limit.
- 3.12 **Fixed assets** – IFRS introduces a much greater requirement for component accounting. This means that an asset will have to be broken down into its major components. For example, under the current rules property is broken down into just land and buildings; under IFRS buildings will have to be further broken down into their major components where these components will have to be replaced during the life of the building. Such a breakdown for a building could include: various blocks constructed at different times, roof, major items of plant, i.e. boiler system, and lifts etc. As well as properties these rules will apply to transport infrastructure, such as roads, a draft Transport Infrastructure Assets Code has been published, which will govern this area. This change to component accounting is not retrospective, and will only apply as buildings are revalued from 1<sup>st</sup> April 2010. These changes will require the Council to track more information about fixed assets.
- 3.13 **Employee benefits** – the authority must now calculate the liability for any annual leave taken forward into the next financial year. For technical reasons, around the academic year, this is particular large for teachers. The Government has proposed changes to ensure that this does not impact upon the statement of movement of the general fund, so that this change will not impact upon council tax.
- 3.14 **Group accounts** – under IFRS the authority only needs to be able to influence an outside body for it to be considered part of the group, and require consolidation into the group accounts. Work is being undertaken to ascertain whether any further outside bodies will need to be consolidated into Brent's accounts.
- 3.15 **Segment reporting** – the accounts will have to present information on the council broken down into segments. The segments will be the service areas and central items to represent the information that the Executive sees within the Performance and Finance Review in order to allocate financial resources.
- 3.16 Overall, the experience in the private sector has been that many more disclosures are required in almost all areas. The size of the statement of accounts has typically risen by 60%. Furthermore, there is considerable change in terminology.

## **Actions taken so far**

3.17 A number of actions have been taken to date to ensure that the transition to IFRS progresses smoothly:

- (i) The Head of Financial Management has been appointed as the lead officer for the project.
- (ii) A project team has been established within Finance and Corporate Resources. This team has involved Property and the service areas, to ensure that preparation is taking place across the council for the changes.
- (iii) Members of the project team have attended training events, seminars and undertaken research to enable a full understanding of the requirements of IFRS, and how to successfully implement IFRS
- (iv) An outline conversion plan and a detailed work plan have been produced which sets out what is required, and when for the full implementation of IFRS. The detailed work plan identifies the staff responsible for implementing each area of IFRS.
- (v) PricewaterhouseCoopers have been employed as external advisors to analyse the PFI schemes as the accounting treatment for these is very complex, and to provide advice upon IFRS.
- (vi) The PFI schemes have been referred to PricewaterhouseCoopers for analysis, and the first reports have been received.
- (vii) High value contracts held by the council are being analysed for service concessions and embedded leases.
- (ix) Work is being carried out within Housing, Property and Financial Management to assess which leases need to be reclassified.
- (x) A draft calculation has been submitted to the auditors for the employee benefits accrual. In addition to this there has been an ongoing dialogue with the Audit Commission to ensure the appropriateness of the views on accounting treatment being taken by the Council. Several documents around the technical aspects associated with accounting for leases are currently being considered.

## **IFRS Outline Conversion Plan**

3.18 The outline conversion plan is attached to this report at Appendix 1. The key milestones are set out below:

- (i) End of March 2010 – Restate 1st April 2009 balance sheet. This work will be concurrently audited by the external auditors.
- (ii) End of June 2010 – Prepare 2009/10 UK GAAP accounts (including PFI, Service concessions and relevant embedded leases under IFRS)
- (iii) End of September 2010 - Audit of UK GAAP Accounts
- (iv) End of December 2010 – Restate 2009/10 Accounts under IFRS

- (v) January – March 2011 – Audit of restated Accounts
- (vi) End of June 2011 – First Statement of Accounts under IFRS rules

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

- 4.1 Central government is currently consulting on proposals to ensure that the changes arising from the implementation of IFRS will have no impact upon the statement of movement of the general fund, and hence no impact on council tax. The two areas where there is a perceived risk to this are: first, the recognition of more finance leases means that the council may have to increase its prudential borrowing limit to allow for this reclassification of leases; and second, the lease payments made under any new finance leases upon assets owned by the council and leased out to another party will have to be treated as a capital receipt, they cannot be used as a revenue stream. There has not been any clarification yet on the matters being consulted on.
- 4.2 As stated above, the changes around lease accounting, including the creation of Service Concessions and Embedded Leases, might impact upon the budgeting process as recognition of more finance leases means that the council may have to increase its prudential borrowing limit to allow for this reclassification of leases.
- 4.3 Component accounting should not require major additional resources for valuation of buildings. Component accounting is being built into the capital coding structure of the new Oracle Financials system to minimise the amount of work needed by the finance teams to comply with these rules.
- 4.4 The staff and resources used for implementation of IFRS have been found from existing budgets, including the cost of PricewaterhouseCoopers to act as external consultants to carry out the work on the PFI schemes and advise Brent upon IFRS.
- 4.5 The impact upon staff and resource of meeting statutory financial reporting requirements will be kept under review.

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

- 5.1 As stated in the body of the report, there is a legal requirement for the Council to prepare its accounts in line with the new IFRS based standards. The Code of Practice on Local Authority Accounting in the United Kingdom (the code) sets out the proper accounting practices required by section 21(2) of the Local Government Act 2003, which apply to the Statements of Accounts prepared in accordance with the statutory framework established for England by the Accounts and Audit Regulations 2003.

**6. Diversity Implications**

6.1 None

**7. Background papers**

7.1 Appendix 1 - Outline Conversion Plan

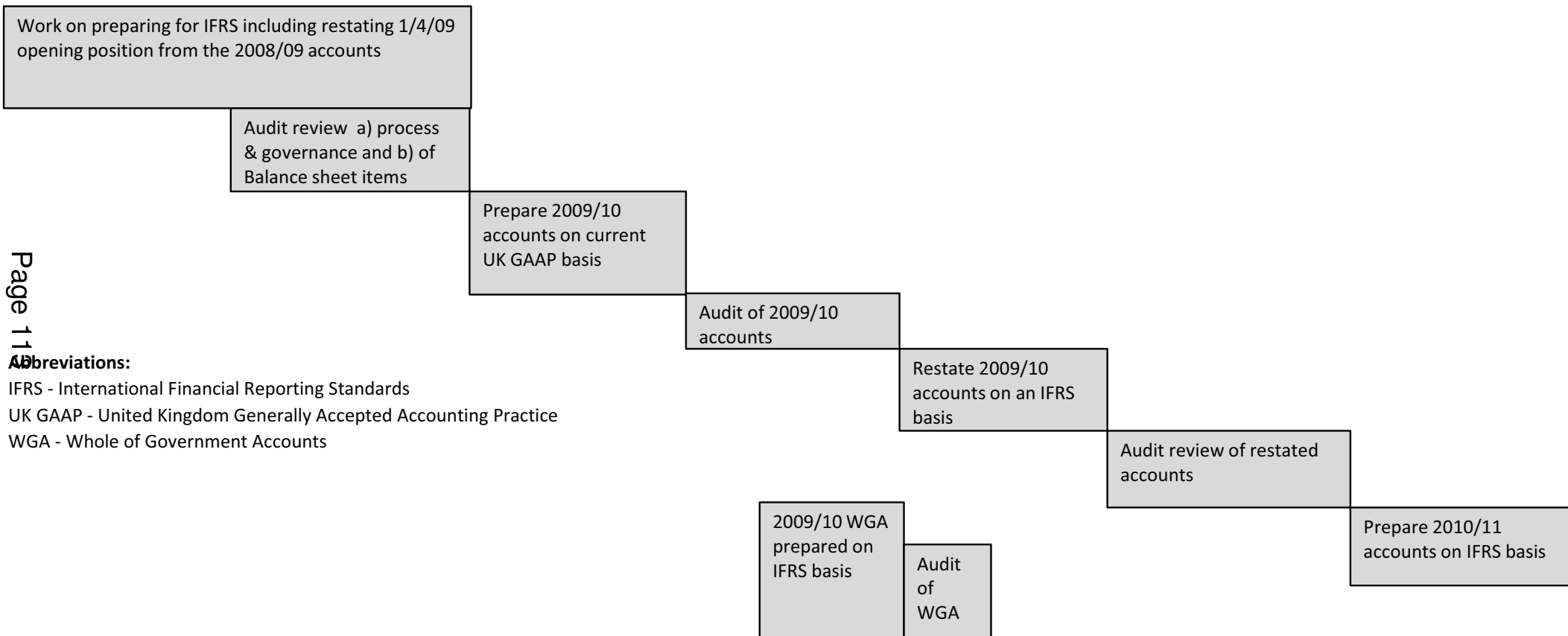
**8. Contact Officers**

Mark Peart, Head of Financial Management, Finance and Corporate Resources, Brent Town Hall, Forty Lane, Wembley, Middlesex HA9 9HD, Tel. 020 8937 1467.

**Duncan McLeod**  
**Director of Finance and Corporate Resources**

## IFRS Conversion - Overview

Oct-09   Nov-09   Dec-09   Jan-10   Feb-10   Mar-10   Apr-10   May-10   Jun-10   Jul-10   Aug-10   Sep-10   Oct-10   Nov-10   Dec-10   Jan-11   Feb-11   Mar-11   Apr-11   May-11   Jun-11



Page 11


**Abbreviations:**

IFRS - International Financial Reporting Standards

UK GAAP - United Kingdom Generally Accepted Accounting Practice

WGA - Whole of Government Accounts

This page is intentionally left blank

	<p style="text-align: center;"><b>Audit Committee</b> 3<sup>rd</sup> March 2010</p> <p style="text-align: center;"><b>Report from the Director of Finance and Corporate Resources</b></p>
For Action	Wards Affected: ALL
<b>Treasury Management Strategy and Annual Investment Strategy</b>	

## 1. SUMMARY

- 1.1 This report sets out the Treasury Management Strategy and Annual Investment Strategy, and outlines current treasury market developments.

## 2. RECOMMENDATIONS

- 2.1 Members are asked to note and comment on

- a) The Annual Treasury Strategy required under the CIPFA Treasury Management Code of Practice.
- b) The Annual Investment Strategy required by the Department of Communities and Local Government under the 2003 Local Government Act.
- c) Current market developments

## 3. DETAIL

- 3.1 The Annual Treasury Strategy and the Annual Investment Strategy are part of the Budget Report that will go to Full Council. The Annual Treasury Strategy sets out the market background and treasury issues that will be relevant in 2010/11. The Strategy reflects recent changes to the CIPFA Code of Practice. The Annual Investment Strategy (AIS) is more concerned with the security of investments. Recently there have been proposals to amend the strategy to reflect concerns arising out of the Icelandic banking collapse. The AIS reflects the new proposals.

### **Current market developments**

- 3.2 As set out in the Annual Treasury Strategy, it is expected that UK economic growth will be very slow and that short term interest rates will only rise slowly, if at all. Longer term rates are expected to rise to reflect the government

borrowing requirement, the end (or reduction) of Quantitative Easing, and inflation fears.

- 3.3 January and February 2010 have seen increased market volatility as dealers have focused on European government deficits – in particular, Greece, Portugal and Spain. Although European states have promised support, the market remains volatile and worried about how other governments will repay debts. Worries about the Spanish market have prompted the removal of Banco Santander (and Halifax) from the Brent Lending List. Elsewhere, those countries that have seen recovery are beginning to tighten policy, as in Australia and China.
- 3.4 As previously discussed with the Audit Committee, there are proposals to review and widen the Lending List. These will not be implemented until the market calms down, though there will be discussions with the new Treasury Adviser to agree options.
- 3.5 It is anticipated that the next Icelandic debt repayment will be received from the Administrator of Heritable Bank in March (around 20%, or £2m). Recent indications are that the Administrator, Ernst & Young, expect to recover a higher percentage of debt (90% / 95%) than previously expected. There has been no further progress on Glitnir Bank.

#### **4. FINANCIAL IMPLICATIONS**

These are covered in the report.

#### **5 DIVERSITY IMPLICATIONS**

The proposals in this report have been subject to screening and officers believe that there are no diversity implications arising from it.

#### **6 STAFFING IMPLICATIONS - None**

#### **7 LEGAL IMPLICATIONS**

There are no legal implications arising from the report.

#### **8 BACKGROUND**

Annual Treasury Strategy – Report to Full Council (and the Audit Committee) as part of the Budget Report – March 2009

Persons wishing to discuss the above should contact the Exchequer and Investment Section, Finance and Corporate Resources, on 020 8937 1472/74 at Brent Town Hall.

**DUNCAN McLEOD**  
Director of Finance and  
Corporate Resources

**MARTIN SPRIGGS**  
Head of Exchequer and Investment



## **TREASURY MANAGEMENT STRATEGY AND ANNUAL INVESTMENT**

### **STRATEGY 2010/11**

#### **Introduction**

- 11.1 This section of the report presents:
- a. The 2010/11 Treasury Management Strategy setting out the proposed borrowing and lending policy and the factors influencing this over the coming year.
  - b. The 2010/11 Annual Investment Strategy setting out the security of the investments made by the authority.
- 11.2 Under the Local Government Act 2003, local authority borrowing is regulated by the Prudential Code, details of which are set out in Section 12 of the Budget Report, and the requirement for an Annual Investment Strategy.
- 11.3 Members are asked to agree
- a) The Treasury Management Strategy for 2010/11 as part of the main recommendations to the report, and to note the changes outlined in para. 11.18.
  - b) The amendments to the Annual Investment Strategy to cover new requirements on duration (para.4.3), other sources of market information (para. 5.2), use of Advisers (paras 10.1 and 10.2), borrowing money in advance (paras 11.2 and 11.3) and staff training (paras 12.1, 12.2 and 12.3).

#### **Regulatory Requirements**

- 11.4 The 2009 Code of Practice for Treasury Management issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) includes provision for an annual report to Members on the Treasury Management Strategy. The Code requires that Members consider and agree the strategy before the beginning of each financial year. The Treasury Management Strategy is sensitive to interest rate movements, which may affect receipts from interest on balances, or payments of interest on new long term loans to the authority.
- 11.5 Guidance issued under Section 15 (1) (a) of the Local Government Act 2003 also requires that authorities should prepare an Annual Investment Strategy (AIS) to be agreed by Full Council before the commencement of each year. The AIS is required to set out the security of investments used by the authority, analysed between Specified and Non-Specified investments and clarifying the use of credit ratings. It also has to set out the maximum periods for which funds may prudently be committed (liquidity). To discourage the use of investments that may be considered speculative, such as equities, the

acquisition of share or loan capital in any body corporate (such as a company) is defined as capital expenditure. On this basis, Brent does not invest treasury balances in shares, corporate bonds or floating rate notes issued by companies except through pooled schemes.

11.6 The Department for Communities and Local Government (DCLG) has recently issued revised draft Guidance following the collapse of Lehman Brothers and various Icelandic banks, and the House of Commons Select Committee report on local authority investments in Icelandic banks. Although the Guidance remains 'draft', it is proposed to include the main issues raised within the AIS. These are:-

- a) Security and liquidity are the key issues in lending. There should clear policies on the duration of loans, and the share of the portfolio that can be lent for longer periods.
- b) The Treasury Strategy should be approved by Full Council. Authorities should consider sending revised strategies to members during the year.
- c) The Treasury Strategy should be published.
- d) Local Authorities should not rely solely on credit ratings but consider other information.
- e) The Treasury Strategy should comment on the use of advisers.
- f) The Treasury Strategy should comment on the investment of money borrowed in advance of need. The Guidance confirms that it is legitimate for authorities to borrow in advance, but is concerned that the consequent loans into the market should be legitimate and not be speculative.
- g) The Treasury Strategy should comment on how staff training is reviewed and training needs met.
- h) The Treasury Strategy should include proposals for regular scrutiny by members.

11.7 The proposed AIS for 2010/11 is attached as Appendix N. Given the issues that have arisen recently as a result of turmoil in financial markets, details of the actions the council plans to take in both the short and longer term with regard to investments and use of credit ratings are set out in this section of the main report.

### **Economic Background**

11.8 The international economic background in 2008 was extremely volatile, with rising oil and commodity prices, and a credit crisis that led to the collapse / takeover / rescue of various banks as inter bank lending and the wider provision of credit reduced. In 2009, recession, low interest rates and market recovery have been the main features, as follows:-

- a) Economic growth has been negative. The UK economy shrunk by around 4.5%, the European economy by 4%, and the USA by 2.5%. However, most developed economies have emerged from recession in Q3 2009, and UK GDP grew by 0.1% in Q4 2009.
- b) Stock markets fell in anticipation of a recession, but have risen by around 50% since the trough in March.

- c) House and property prices fell during the first half of the year, but have risen since.
- d) Inflation initially fell sharply on the back of the cut in VAT and falling fuel costs, but has risen by 2.9% for 2009 as a whole.
- e) Short term interest rates have remained very low (UK 0.5%, USA 0% - 0.25%, ECB 1%) as Central Banks have sought to support economic activity and recapitalise the banks. The interest rates used for lending and borrowing between banks, LIBOR and LIBID, have reduced towards base rate as expected. Longer term rates have been held down by quantitative easing in UK and USA, but are rising on hopes of economic recovery and the weight of government gilt issuance required to support expenditure.

11.9 Looking ahead to the next financial year, it is expected that world economic growth will accelerate to around 3% / 3.5% in 2010, led by growth in emerging economies such as China. Although the USA economy should grow by around 3% in 2010, it is anticipated that UK and Europe will only grow by around 1% / 1.5%. It is also forecast that UK GDP will only increase by 1.5% in 2011. Interest rates should continue to be very low – UK Bank Rate may remain at 0.5% throughout 2010, possibly rising to 1% towards the end of the financial year. Despite quantitative easing, it is expected that the authorities will have few worries about inflation – although RPI and CPI will rise early in 2010 as a result of VAT rising back to 17.5% and increased oil costs, inflation is expected to fall in the second half of 2010. Long-term rates are expected to rise as governments borrow money to fund recovery programmes and the costs of nationalising / recapitalising banking sectors. However, there remains a risk that deflation will pose a greater threat than inflation, leading to lower rates.

### **Financial Market Background**

11.10 The sub-prime crisis and credit crunch of 2007 – 2009 led to the collapse of a number of banks, either into nationalisation, forced mergers or disappearance. However, the collapse of Lehman Brothers – a key broker and investment bank – in September 2008 caused a financial tsunami to overrun the banking system.

11.11 Although the financial institutions on the Brent Lending List were sound and most were given support by their national banks, three Icelandic banks were put into administration when their credit ratings were reduced and they were unable to meet short term obligations. Brent had two deposits outstanding, as follows:-

Heritable Bank	£10m	Lent 15.08.08	Repayable 14.11.08
Glitnir Bank	£5m	Lent 15.09.08	Repayable
	12.12.08		

To date, the council has had £2.9m returned by the administrators of Heritable Bank, who suggest that depositors will recover about 80% of their original sum. It is anticipated that the £5m deposited with Glitnir will

be returned as legal advice is that the deposit will be treated as a preferential creditor. However, progress is likely to be slow in the light of legal challenges, especially from the Winding up Board for the Bank. If the deposits are not returned in 2010/11, the lost interest will be around £60,000 (assuming an interest rate of 0.5%).

- 11.12 In the light of the turmoil on the financial markets, the Lending List agreed by the Director of Finance & Corporate Resources was reconstructed to reduce risk – initially foreign and lower rated British banks were removed and lending limited to a duration of one month, then in April 2009 building societies were also removed from the List following concerns about the Dunfermline Building Society. In March 2009 the council repaid early loans from the PWLB valued at £64.75m, thus generating substantial savings (£1.5m per annum) and reducing balances available to deposit with other banks (currently at very low interest rates). The repayment reduced council long term borrowing to £597.5m, £29.5m below the level of the Capital Financing Requirement at the end of the 2008/09 financial year

### Lending Policy

- 11.13 Treasury management is defined as the management of the organisation's cash flows and 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.
- 11.14 Table 11.1 indicates the projected summary cash flow for the authority. It is anticipated that cash balances will be approximately £56m by 31<sup>st</sup> March 2011 if the council resumes long-term borrowing at the Capital Financing Requirement.

**Table 11.1 - Cash Flow Summary 2010/11**

	£m	£m
<b>Cash Balances as at 1 April 2010</b>		<b>50</b>
Capital programme	(116)	
Debt repayment	(-)	
	<hr/>	(116)
		<hr/>
Repayment by Heritable	2	
Capital receipts/grants	68	
Payment of debt premia	4	
Long-term borrowing	38	
Minimum Revenue Provision	10	
	<hr/>	122
		<hr/>
<b>Cash Balances as at 31 March 2011</b>		<b>56</b>
<b>Total long-term borrowing as at 31.03.10</b>		<b>635</b>
		<hr/>

- 11.15 It was agreed that the revised list should remain in effect until the problems in the inter-bank market – as represented in the wide spreads between LIBOR /

LIBID and bank rate – were reduced, and to continue to lend for periods of less than one month. Although these measures marginally reduced interest receipts, income has been protected by a number of longer term deposits that run into 2009/10 and beyond. Furthermore, the March 2009 repayment has meant that the Council has had minimal balances to lend.

- 11.16 In January 2010 it was felt that the market had recovered significantly and that debt defaults would reduce in 2010. Following consultation with the adviser, Butlers, and a report to the Audit Committee, the Director of Finance and Corporate Resources increased loan duration to one year, reinstated a suitably rated building society to the lending list and increased the size of loans to local authority and government institutions, as shown in Table 11.2 below.

**Table 11.2 – Current Brent Lending List – February 2010**

<p><b>A. UK BANKS – UP TO £10M for INDIVIDUAL banks or Banking GROUPS, or building societies as indicated below</b></p> <p><b>Rated AA- or above long, F1+ short term, B/C or above individual, 1 support (unless part owned by the government or supported by an implicit guarantee). Up to one year</b></p> <p>Bank of Scotland Lloyds Bank – linked with Bank of Scotland as part of Lloyds</p> <p>Barclays Bank PLC HSBC Bank</p> <p>National Westminster Royal Bank of Scotland – linked with Nat West as part of the RBOS group</p> <p>Nationwide building society</p> <p><b>B. MONEY MARKET FUNDS –UP TO £12M</b></p> <p><b>Rated AAA</b></p> <p>Royal Bank of Scotland Morgan Stanley Cash Fund Northern Trust</p> <p><b>C. DEBT MANAGEMENT OFFICE – NO LIMIT – up to one year</b> <b>D. OTHER LOCAL OR GOVERNMENT AUTHORITIES – up to one year</b> <b>E. SUPRANATIONAL INSTITUTIONS – UP to £10M</b></p> <p><b>AAA</b> long term and F1+ short term ratings that are supported by major international organisations such as the USA FED or the European Central Bank. These have only ever been used by external managers</p>
--

- 11.17 The 2009 CIPFA Code of Practice in Treasury Management recommends that authorities should have regard to the credit ratings issued by all three main rating agencies, and make their decisions on the basis of the lowest rating. Two of the British banks, Royal Bank of Scotland and Lloyds, are rated lower (A+) by one of the rating agencies, but they have not been removed from the lending list on the grounds that they are part owned by the government as well as supported by an implicit government guarantee that allows them to issue certificates of deposit.
- 11.18 Over the longer term there are operational difficulties in running a reduced Lending List and a cost in foregone interest receipts. It is proposed that, if market conditions remain calm, the Council returns to using a longer Lending List in April. The Lending List will incorporate the features outlined in the 2009 Treasury Strategy report, as follows:-
- a) Sovereign ratings, linked to the country of ownership, to the level of AA (a strong capacity to meet its financial obligations) and above in developed economies. There will be a limit of 20% on individual country exposure, with the exception of UK.
  - b) An institution will only qualify for the list if its lowest ratings (from one of the three agencies) meet the criteria.
  - c) Institutions that are part of a financial group (for example, Lloyds TSB includes Lloyds TSB, HBOS, Halifax and Cheltenham and Gloucester) will be subject to a group limit of £10m.
  - d) The use of independent credit information produced by asset managers, as a check on the Brent List.
  - e) Following the collapse of Dunfermline Building Society and evidence that regulators were not closely overseeing building societies, these were removed from the Brent List. As the regulatory regime has been strengthened, and there is clear evidence that the sector continues to weed out weaker societies, concerns have faded. Options for building societies to return to the Lending List will be reviewed with our treasury adviser, Butlers. However, to ensure that risk is spread, no more than 50% of in-house deposits will be lent to the building society sector, and amounts lent will be limited to £5m.
  - f) A minimum rating of A+ long-term (A is high credit quality), F1 short term (up to 13 months – highest credit quality), B Individual (B is a strong bank, with no major concerns about its functions), and 1 Support (extremely high probability of external support) will be applied. These are high quality ratings, but would allow the return of some overseas banks that may be active borrowers whereas most large UK deposit banks will only take very large deposits.
  - g) No deposits will be made to companies or countries that are on a negative rating watch, unless there is an implicit government guarantee, enabling the bank / building society to issue certificates of deposit.
  - h) There will continue to be differential lending periods according to credit rating, but a common maximum deposit of £10m, apart from government

related agencies and AAA rated money market funds. The maximum lending period will be reduced to three years (with senior management approval).

11.19 Details of the basis on which credit ratings are used are set out in Table 11.3 below.

**Table 11.3 – Use of Credit Ratings**

<p>a) The credit rating agencies (Fitch, Moody's and Standard &amp; Poor) meet with financial institutions, review their financial prospects and issue ratings.</p> <p>b) The main source of ratings used by Brent is Fitch, which uses four sets of criteria which can be used as an overall grid. This approach should reduce risk, and is followed by a number of other authorities – though some authorities only use two ratings (long term credit and short term credit). The other two rating agencies do not issue support ratings.</p> <p>c) The Fitch ratings are as follows:</p> <ul style="list-style-type: none"><li>i. Long term credit ratings are a benchmark of probability of default. The scales are split between investment and speculative grade – Brent only uses investment grade, which is spread from AAA – highest credit quality – to BBB – good credit quality.</li><li>ii. Short term credit ratings are a benchmark of the probability of default, but with a 13 month time horizon. These are usually most relevant to our activity. The scale spreads from F1 (P1 for Moody's) – highest credit quality – to D, which is default.</li><li>iii. Individual ratings are assigned only to banks and attempt to assess how a bank would be viewed if it were entirely independent and could not rely on external support. The rating looks at soundness of balance sheets and business models. There are often no ratings for subsidiaries. The scale spreads from A, a very strong bank, to F, a bank that has either defaulted or would have defaulted had it not been given support.</li><li>iv. Support ratings indicate whether or not the bank will receive support should this be necessary. The scale spreads from 1, extremely high probability of external support, to 5, where support cannot be relied upon.</li></ul>
---

11.20 At present, the investment company, Aberdeen Asset Management, manages an external portfolio valued at £23m, whereas the in-house manager has around £30m. There is previous authorisation for a second external manager, but it is felt to be prudent to wait for more stable markets before making an appointment. The external manager follows the Brent lending list, and is allowed to use certificates of deposit (CDs), supranational bonds, government gilts and cash to enable them to improve performance, with a target of outperforming their benchmark by 0.5% per annum. The manager outperformed substantially in 2008/09, and has outperformed again in 2009/10 to date using longer dated (one year) CDs. It is felt prudent to retain external managers with different benchmarks, encouraging diversification.

11.21 As set out above, rates are at 0.5% and are expected to remain at that level or rise marginally (to 1%) during the year. In-house activity will continue to

benefit from previous long-term deposits that will continue into 2010, and will seek to lend for longer periods when appropriate. However, reduced cash balances following the March 2009 restructuring ensures that most cash is used for day to day cash flow purposes. The 2010/11 budget assumes that Brent will receive a further payment from Heritable bank (20% in July 2011), but no payments from Glitnir, and that there will be no interest paid on deposits that are outstanding.

### **Borrowing Policy**

11.22 Long-term interest rates initially fell in 2008/09 as quantitative easing reduced the cost of borrowing. However, rates have recovered to their initial levels (50 year 4.5%) as markets looked through the end of quantitative easing and toward the sharp increase in gilt issuance. It is anticipated that long-term rates may rise further in 2010/11, but there are conflicting pressures. Rates may be reduced as a result of deflationary fears, or increases in taxation / reductions in government expenditure. The budget uses a prudent assumption of an average interest rate of 5%.

11.23 Borrowing policy in 2010/11 will be determined by a number of factors:

- a) The Capital Financing Requirement (CFR). This is the difference between the authority's total liabilities in respect of capital expenditure financed by borrowing and the provision that has been made to meet those liabilities in the revenue accounts. Research by the council's treasury advisers has previously indicated that CFR has been the most economical level for the authority's long-term debt. In 2010/11 a further £30m (assuming that borrowing was at CFR at the beginning of the year) new debt would be required in line with the CFR. However, whereas before 2008 the interest rate curve had been 'inverted', with long term rates lower than short term rates, the curve has now normalised so that it may be advantageous not to borrow up to CFR but use relatively cheaper, short term debt and reduce lending. However, if long term rates are expected to rise to allow the government to fund its deficit through gilt issuance, it may be advantageous to take long term debt despite the short term cost. Alternatively, if short-term interest rates remain low, some debt may be taken at variable rates that follow short-term rates. This approach has the advantage of reducing borrowing costs if rates remain low, matching reduced receipts from lending.
- b) The need to borrow. The cash flow summary indicates a need to borrow in 2010/11 if the target is CFR.
- c) Movements in interest rates during the year. The current 50 year gilt rate of 4.5% is, theoretically, composed of elements to cover expected inflation (2.5% - 3% for RPIX), a real yield (usually about 2.5% - 3%) and a risk premium (around 0.5%). This implies either that current long-term rates are low and may rise marginally, or that inflation will remain very low and that the risk premium is lower. Market commentators expect inflation to remain low, at least in the short term (after an initial 'blip'), but are less optimistic over the medium term.



- d) The prudential limits to borrowing as agreed by Full Council (see Prudential Code section of the Budget Report, Section 12).

11.24 It is proposed to borrow a further £38m in 2010/11 for the main capital programme. Officers will also look at market forecasts to confirm the advantages/disadvantages of borrowing early to fund major developments. Additional loans may also be taken if restructuring opportunities are evident or anticipated.

### **Prudential Indicators**

11.25 Under the revised Treasury Management Code issued in 2009, the treasury prudential indicators are to be included within the treasury management strategy report. The Code requires increased analysis of loan duration, so that all loans above ten years are shown in ten year bands. The prudential indicators are as follows:

- a. Adoption of the CIPFA Code of Practice for Treasury Management. This was adopted by the Council in September 2002. Amongst other things, it requires publication of an annual treasury management strategy and investment strategy.
- b. *Exposure to changes in interest rates:*
  - *Upper limit on net borrowing at fixed interest rates.* This has been set at 100% on the basis that all net borrowing may be at fixed rates if it is anticipated that short-term rates are set to rise and long-term rates are perceived to be low. Variable interest borrowing would be retained up to the level of any variable interest investments;
  - *Upper limit on net borrowing at variable rates.* This has been set at 40%. Variable rate borrowing is held as a hedge against variable rate investments. It also may be held where variable interest rates are low compared to fixed rates and fixed rates are expected to fall. The upper limit has also been set with debt restructuring in mind.
- c. *Maturity structure of borrowing.* Upper and lower limits on proportion of fixed interest loans that mature in:
  - Under 12 months;
  - Between 12 months and 24 months;
  - Between 24 months and 5 years;
  - Between 5 and 10 years;
  - Between 10 and 20 years
  - Between 20 and 30 years
  - Between 30 and 40 years
  - Between 40 and 50 years

The limits have been set to allow flexibility to manage loan durations but also to avoid having too much exposure to maturing loans in any period.

- d. *Total investments.* The limit proposed allows flexibility for either external managers or the in-house team to lend for longer periods than one year if

interest rates make this advantageous. The limit has been reduced to £40m to reflect lower balances.

**Table 11.4 Prudential Indicators for Treasury Management**

	2009/10	2010/11	2011/12	2012/13	2013/14
Treasury Management Code adopted	Yes	Yes	Yes	Yes	Yes
Exposure to interest rate changes: Upper limit on fixed rate interest (% of net borrowing)	100%	100%	100%	100%	100%
Upper limit on variable rate interest (% of net borrowing)	40%	40%	40%	40%	40%
Maturity of fixed interest loans:					
Under 12 months:					
○ Upper limit	40%	40%	40%	40%	40%
○ Lower limit	0%	0%	0%	0%	0%
Between 12 and 24 months:					
○ Upper limit	20%	20%	20%	20%	20%
○ Lower limit	0%	0%	0%	0%	0%
Between 24 months and 5 years:					
○ Upper limit	20%	20%	20%	20%	20%
○ Lower limit	0%	0%	0%	0%	0%
5 to 10 years:					
○ Upper limit	60%	60%	60%	60%	60%
○ Lower limit	0%	0%	0%	0%	0%
10 to 20 years:					
○ Upper limit	100%	100%	100%	100%	100%
○ Lower limit	30%	30%	30%	30%	30%
Upper limit on Investments of more than one year:	£60m	£40m	£40m	£40m	£40m

**Debt Restructuring**

11.25 Many long-term loans were borrowed from the PWLB during periods when interest rates were high. The regulations under which such loans were given prevent their repayment without incurring substantial premia to reflect any difference between current low rates and previous higher rates. This could

make the repayment of long-term debt with high interest rates expensive, especially if charged to the revenue budget for any one year.

11.26 Market loans known as LOBOs (Lenders Option, Borrowers Option) are long-term loans (up to 70 years) that allow the lender the option to increase the rate after a period of years. The borrower also has the option to refuse to pay a higher rate and repay the loan without incurring a penalty. Local authority debt is regarded as of high quality to lending institutions that are keen to grow such business on their loan books. To date Brent has taken 13 LOBOs, valued at £85.5m. The council may take more LOBOs if opportunities arise, subject to limiting council's exposure to potential increases during the period of the loan.

11.27 There are also other occasions when refinancing may be advantageous:

- a) When rates rise, but are expected to fall again later. In such cases it may be advantageous to switch to variable rate debt before fixing back into lower rates.
- b) If debt has a short period to maturity but market interest rates are unduly pessimistic.

11.28 It is proposed to continue monitoring opportunities for debt restructuring and to take action as circumstances allow. In a low interest rate environment, there are fewer opportunities to restructure. At present the council's main lender, the Public Works Loans Board (PWLB), has changed its terms to charge a larger premium on debt repaid prematurely. However, the PWLB is reviewing its repayment terms in 2010, which may facilitate more restructuring activity.

### **Member Engagement**

11.29 Before 2008, two Treasury Management reports were made each year, unless important issues arose. The reports were the Strategy report, when setting the budget, and the Outturn report at year end. However, since the collapse of Lehman Brothers and the default of the Icelandic banks, there have been reports on lending activity to each meeting of the Audit Committee, setting out deposits at the end of each quarter and how the lending list has changed over the period. Other papers have detailed the report of the Commons Select Committee on local authority lending to Icelandic banks, the revised CIPFA Treasury Management Code of Practice and the DCLG Guidance on local authority investments.

11.30 The revised CIPFA Treasury Management Code of Practice makes some changes to previous practice, as follows:-

- a) A mid-year review of the annual treasury strategy, looking at activities undertaken and any variation from agreed policies / practices.
- b) The Audit Committee is to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

- c) The Director of Finance and Corporate Resources is to ensure that members tasked with treasury management responsibilities have access to appropriate training opportunities

As part of this, it is proposed that this treasury management strategy and the annual investment strategy are considered by the Audit Committee at its meeting in March 2010.

## **ANNUAL INVESTMENT STRATEGY 2010/11**

1. Brent Council has regard to the Department for Communities and Local Government Guidance on Local Government Investments (“Guidance”) and CIPFA’s ‘Treasury Management in the Public Services’.

### **2. Investment Principles**

2.1 All investments will be in sterling. The general policy objective is the prudent investment of the council’s treasury balances. The council will aim to achieve the optimum return on its investments commensurate with the proper levels of security and liquidity.

2.3 The Guidance maintains that the borrowing of monies purely to invest or on-lend to make a return is unlawful. The council will not engage in such activity.

### **3. Specified and Non-Specified Investments**

3.1 Investment instruments identified for use in the financial year are listed in Appendices N(ii) and N(iii) under the ‘Specified’ and ‘Non-Specified’ investments categories. These are defined as follows:

a) Specified Investments (as set out in the Guidance) are those that offer high security and liquidity. Such investments will be in sterling, with a maturity of no more than one year, and will be made to bodies with high credit ratings – UK or local government, banks, building societies, money market funds, and supra-national institutions.

b) Non-specified Investments (as set out in the Guidance) are those that may either entail more risk or are more complex, such as gilts, certificates of deposit or commercial paper. In all cases where time deposits (loans with a fixed maturity date to banks, building societies etc) are not involved, external fund managers will take investment decisions within their Investment Management Agreements.

3.2 Appendices N(ii) and N(iii) also set out:

(a) the advantages and associated risk of investments under the category of “non-specified” category;

(b) the upper limit to be invested in each ‘non-specified’ asset category;

(c) which instruments would best be used by the council’s external fund managers or after consultation with the council’s treasury advisors.

### **4. Liquidity**

4.1 Based on its cash flow forecasts, the council anticipates its fund balances in 2010/11 to range between £40m and £80m.

- 4.2 Giving due consideration to the council's level of balances over the next three years, the need for liquidity, its spending commitments and provisioning for contingencies, the council has determined that up to £30m may be held in 'non specified' investments during the year.
- 4.3 Appendices N(ii) and N(iii) set out the maximum periods for which funds may be prudently committed in each asset category. The duration of cash deposits has been shortened to three years (from five years) following severe volatility seen in the recent credit crisis. However, the current lending list will continue to use the shorter limit of one year to recognise that the banking system has not yet healed from the credit crisis.

## **5. Security of Capital: The Use of Credit Ratings**

- 5.1 Credit quality of counterparties (issuers and issues) and investment schemes will, in the first instance, be determined by reference to credit ratings published by Fitch IBCA, Standard and Poor's, and Moody's (long-term/short-term, individual, support and sovereign), but the council will use the lowest ratings from the three companies. The Council will also use group and national limits to assist in proper diversification of investments, as well as duration limits. The external manager will use Brent Council's Lending List to establish authorised borrowers.
- 5.2 Monitoring of credit ratings:
- All credit ratings will be monitored continuously. Brent Council is alerted to changes in ratings through the adviser's (Butler) website and emails.
  - If it is anticipated that a downgrading may occur following adverse economic developments; the Head of Exchequer & Investments or a dealer will have discretion to remove the counterparty from the lending list.
  - If a downgrade results in the counterparty/investment scheme / country no longer meeting the council's minimum criteria, its further use as a new investment / investment venue will be withdrawn immediately.
  - If a counterparty/investment scheme is upgraded so that it fulfils the council's criteria, the Director of Finance & Corporate Resources will consider including it on the lending list.
  - The council will also use other sources of information to assess the credit worthiness of counter-parties and general market intelligence. Advice will be gleaned from financial publications, asset managers and Capital Economics. Access will also be available to the credit lists used by two investment managers used by the council.
  - Dealers are expected to act prudently and may decline to use particular counterparties if there is any cause for concern.

## **6. Investments Defined as Capital Expenditure**

- 6.1 The acquisition of share capital or loan capital in any body corporate is defined as capital expenditure. Brent Council will not use or allow its external

fund manager to make, any investment which will be deemed capital expenditure.

## **7. Investment Strategy to be followed In-House**

- 7.1 Investments will be made with reference to the core balance (£40m), cash flow requirements and the outlook for short and medium-term interest rates (i.e. rates for investments up to 3 years).
- 7.2 Once stability has returned, the council will seek to utilise its business reserve accounts and short-dated deposits (1-3 months) in order to benefit from the compounding of interest at potentially higher rates, while looking for longer-term opportunities when the market becomes too pessimistic about rising rates. Brent Council has identified 2% as an attractive trigger rate to consider 1-year lending and 5% for 2 and 3 year lending. The 'trigger points' will be kept under review and discussed with Butlers so that investments can be made at the appropriate time.

## **9. External Cash Fund Management**

- 9.1 Brent Council's funds are managed on a discretionary basis by Aberdeen Asset Management. The fund manager is contractually required to comply with this strategy.
- 9.2 Brent Council will discuss with its external fund manager on a regular basis, instruments that they consider may be prudently used to meet the council's investment objectives. Brent Council will evaluate the risk-reward characteristics of asset categories to decide whether to permit the manager to use instruments that comply with the Guidance.

## **10 The role of the treasury adviser**

- 10.1 The treasury adviser gives advice on debt restructuring opportunities, interest rate movements, economic forecasts, external treasury managers and current capital finance developments. The adviser also provides credit ratings, and details of changes / possible changes in ratings.
- 10.2 However, it is for the council to take decisions on whether or not to act on the advice given. Other sources of market information and intelligence will also be sought.



## **11 Borrowing in advance**

- 11.1 The council has used the Capital Financing Requirement (CFR) as the most efficient measure of borrowing need. The CFR reflects the total capital expenditure of the authority.
- 11.2 The council plans that total borrowing should be at, or about, CFR at year end. However, the capital programme may be delayed, leading to total borrowing being above CFR. Other factors will also affect borrowing decisions. If it is expected that long-term rates may rise, borrowing may be undertaken early. This will be particularly important if there is a major project being undertaken, such as the new Civic Centre. If long term rates are high, but short term rates very low (as at present), borrowing may be delayed to reduce funding costs.
- 11.3 If borrowing is undertaken in advance of need, the balance will be placed with a secure counterparty. If large sums are involved, consideration will be given to purchasing an appropriate government gilt, to preserve capital.

## **12 Staff training**

- 12.1 There are three main treasury management training 'areas'. First, dealing, requiring understanding of cash flow issues, information systems, the lending list, dealing and settlement of deals. Second, authorisation of deals, requiring knowledge of the lending list and information systems. Third, management requires an understanding of the market, treasury management codes, economic background, and current treasury management policies and strategies.
- 12.2 Staff training is reviewed on an ongoing basis to ensure that trainee accountants are given an initial treasury induction, and that dealers / managers are given access to market developments and technical updates on treasury issues (particularly changes to the lending list) and regular dealing practice.
- 12.3 Training needs are met through a variety of methods. New dealers are given on the job induction training, to enable them to deal competently, as well as attendance at relevant external seminars. Ongoing learning is through seminars provided by the main treasury organisations, CIPFA and economics consultancies. The principal treasury officer is undertaking the course in Treasury Management organised by the Association of Corporate Treasurers and CIPFA.

**LOCAL GOVERNMENT INVESTMENTS  
SPECIFIED INVESTMENTS**

*All "Specified Investments" listed below must be sterling-denominated.*

<b>Investment</b>	<b>Share/ Loan Capital?</b>	<b>Repayable/ Redeemable Within 12 Months?</b>	<b>Security/ Minimum Credit Rating</b>	<b>Capital Expenditure?</b>	<b>Circumstance of Use</b>	<b>Maximum Period</b>
<b>Debt Management Agency Deposit Facility</b>	No	Yes	Govt-backed	No	In-house	1 year
<b>Term or callable deposits</b> with the UK government or with UK local authorities	No	Yes	High security although local authorities are not credit rated.	No	In-house and by external fund manager	1 year
<b>Term or callable deposits</b> with credit-rated deposit takers (banks and building societies)	No	Yes	Yes-varied	No	In-house and by external fund manager	1 year
<b>Certificates of Deposit</b> issued by credit-rated deposit takers (banks and building societies)	No	Yes	Yes-varied	No	To be used by fund managers	1 year
<b>Gilts</b> : with maturities up to 1 year	No	Yes	Govt-backed	No	In house and by external cash fund manager subject to the management agreement	1 year
<b>Money Market Funds</b> (i.e. a highly rated collective investment scheme)	No	Yes	Yes- minimum : AAA	No	In-house and by external fund manager subject to the management agreement	<i>Subject to cash flow and liquidity requirements</i>

<b>Investment</b>	<b>Share/ Loan Capital?</b>	<b>Repayable/ Redeemable Within 12 Months?</b>	<b>Security/ Minimum Credit Rating</b>	<b>Capital Expenditure?</b>	<b>Circumstance of Use</b>	<b>Maximum Period</b>
<b>Forward deals</b> with credit rated banks and building societies	No	Yes	Yes-varied	No	In-house and fund manager	1 year in aggregate
<b>Commercial paper</b> <i>[short-term obligations generally with a maximum life of 9 months issued by banks and other issuers]</i>	No	Yes	Yes-varied	No	External fund managers subject to the management agreement	9 months
<b>Treasury bills</b> <i>[Government debt security with a maturity less than one year]</i>	No	Yes	Govt-backed	No	External fund manager subject to the management agreement	1 year
<b>Bonds issued by a financial institution that is guaranteed by the United Kingdom Government</b>	No	Yes	Govt-backed	No	External cash fund managers subject to management agreements	1 year
<b>Bonds issued by multilateral development banks</b>	No	Yes	AAA	No	External cash fund managers subject to management agreements	1 year

**LOCAL GOVERNMENT INVESTMENTS**  
**NON-SPECIFIED INVESTMENTS**

Investment	(A) Why Use It? (B) Associated Risks?	Share/ Loan Capital?	Repayable/ Redeemable Within 12 Months?	Security/ Minimum Credit Rating	Capital Expenditure?	Circumstance of Use	Max % of Overall Investments	Maximum Maturity of Investment
<b>Term deposits</b> with credit rated deposit takers (banks and building societies) with maturities greater than 1 year	<p><b>(A)</b></p> <p><b>(i) Certainty of rate of return over period invested.</b></p> <p><b>(ii) No movement in capital value of deposit despite changes in interest rate environment.</b></p> <p><b>(B)(i)</b> Liquid : as a general rule, but cannot usually be traded or repaid prior to maturity.</p> <p><b>(ii)</b> Return is fixed even if interest rates rise after making the investment.</p> <p><b>(iii)</b> Credit risk : potential for greater deterioration in credit quality over longer period</p>	No	No	Yes-varied	No	In-house, authorised by senior management	100%	3 years
<b>Certificates of Deposit</b> with credit rated deposit takers (banks and building societies) with maturities greater than 1 year	<p><b>(A)(i)</b> Although tradable, can be illiquid in a credit crisis.</p> <p><b>(B)(i)</b> 'Risk that price may fall during the life of the CD, so that there may be a capital loss if the instrument is sold early.</p>	No	Yes	Yes-varied	No	To be used by fund manager	80%	3 years
<b>UK government</b>	<b>(A)(i)</b> Excellent credit quality.	No	Yes	Govt backed	No	External cash	50%	10 years

<b>gilts</b> with maturities in excess of 1 year	<ul style="list-style-type: none"> <li>(ii) Very Liquid.</li> <li>(iii) If held to maturity, known yield (rate of return) per annum ~ aids forward planning.</li> <li>(iv) If traded, potential for capital gain through appreciation in value (i.e. sold before maturity) (v) No currency risk</li> </ul> <p>(B)(i) 'Market or interest rate risk' : Yield subject to movement during life of sovereign bond which could negatively impact on price of the bond i.e. potential for capital loss.</p>					fund manager only subject to the management agreement		
--	---	--	--	--	--	---	--	--

Investment	(A) Why Use It? (B) Associated Risks?	Share/ Loan Capital?	Repayable/ Redeemable Within 12 Months?	Security/ Minimum Credit Rating	Capital Expenditure?	Circumstance of Use	Max % of Overall Investments	Maximum Maturity of Investment
<b>Sovereign issues, excluding UK government gilts</b> : any maturity	<p>(A)(i) Excellent credit quality.</p> <ul style="list-style-type: none"> <li>(ii) Liquid.</li> <li>(iii) If held to maturity, known yield (rate of return) per annum ~ aids forward planning.</li> <li>(iv) If traded, potential for capital gain through appreciation in value (i.e. sold before maturity) (v) No currency risk</li> </ul> <p>(B)(i) 'Market or interest rate risk' : Yield subject to movement during life of sovereign bond which could negatively impact on price of the bond i.e. potential for capital loss.</p>	No	Yes	AAA	No	External cash fund manager subject to the management agreement	50%	10 years
<b>Forward deposits</b> with credit rated banks and building societies for periods > 1 year (i.e. negotiated deal period plus period of deposit)	<p>(A)(i) Known rate of return over period the monies are invested ~ aids forward planning.</p> <p>(B)(i) Credit risk is over the whole period, not just when monies are actually invested.</p> <ul style="list-style-type: none"> <li>(ii) Cannot renege on making the investment if credit rating falls or interest rates rise in the interim period.</li> </ul>	No	No	Yes - varied	No	To be used in-house, authorised by senior management	50%	3 years
<b>Bonds issued by a financial institution that is</b>	<p>(A)(i) Excellent credit quality.</p> <ul style="list-style-type: none"> <li>(ii) Relatively liquid. (although not as liquid as</li> </ul>	Yes	Yes	AAA / government guaranteed	No	External cash fund manager, subject to the	80%	3 years

<b>guaranteed by the United Kingdom Government</b>	<p>gilts)</p> <p>(iii) If held to maturity, known yield (rate of return) per annum, which would be higher than that on comparable gilt ~ aids forward planning, enhanced return compared to gilts.</p> <p>(iv) If traded, potential for capital gain through appreciation in value (i.e. sold before maturity)</p> <p>(B)(i) 'Market or interest rate risk' : Yield subject to movement during life of bond which could negatively impact on price of the bond i.e. potential for capital loss.</p> <p>(ii) Spread versus gilts could widen.</p>					management agreement		
--	--	--	--	--	--	----------------------	--	--

Investment	<b>(A) Why Use It?</b> <b>(B) Associated Risks?</b>	Share/ Loan Capital?	Repayable/ Redeemable Within 12 Months?	Security/ Minimum Credit Rating	Capital Expenditure?	Circumstance of Use	Max % of Overall Investments	Maximum Maturity of Investment
<b>Bonds issued by multilateral development banks</b>	<p>(A)(i) Excellent credit quality.</p> <p>(ii) Relatively liquid. (although not as liquid as gilts)</p> <p>(iii) If held to maturity, known yield (rate of return) per annum, which would be higher than that on comparable gilt ~ aids forward planning, enhanced return compared to gilts.</p> <p>(iv) If traded, potential for capital gain through appreciation in value (i.e. sold before maturity).</p> <p>(B)(i) 'Market or interest rate risk' : Yield subject to movement during life of bond which could negatively impact on price of the bond i.e. potential for capital loss.</p> <p>(ii) Spread versus gilts could widen.</p>	Yes	Yes	AAA or government guaranteed	No	External cash fund manager , subject to the management agreement	80%	3 years

- \* **The prohibition on the use of derivatives** : This prohibition effectively relies on the judgement of the House of Lords in the case of Hazell v The Council of the London Borough of Hammersmith and Fulham and Others in 1991. Their Lordships held that local authorities have no power to enter into interest rate swaps and similar instruments.

Our treasury adviser, Butlers, believes that as this ruling still stands and was not rescinded by the introduction of the Local Government Act 2003, local authorities do not have the power to use derivative instruments.

S:\Martin\Treasury MGT\Annual investment strategy 2004.doc

## APPENDIX 1

### Brent treasury lending list – Icelandic banks

1 The current loans outstanding as at 31<sup>st</sup> January 2010 are:

Name	Amount	Yield	Lending	Maturity	£m	%
Date	Date					
Global Treas. Fund (RBS)	2.0	Var.	Call			
Gartmore cash reserve	0.2	Var.	Call			
Northern Trust global fund	0.1	Var.	Call			
Cheshire BS	5.0	1.11	07.05.08	07/05/10		
Heritable bank	7.1	5.85	15.08.08	14/11/08		
Glitnir	5.0	5.85	15.09.08	12/12/08		
Dunfermline BS	5.0	Var.	04.02.08	04/02/10		
Newcastle BS	5.0	6.05	28.04.08	28/04/10		
Derbyshire BS	5.0	6.4	16.06.08	16/06/10		
Dunfermline BS	5.0	5.9	01.07.08	01/07/10		
Skipton BS	5.0	6.48	01.07.08	01/07/11		
RBS	<u>5.0</u>	Var.	22.09.08	22/09/11		
<b>Total</b>	<b><u>49.4</u></b>					

Members will be aware that the value of deposits declined sharply as a result of Brent repaying £64.75m in long-term debt in March 2009.


Brent has also invested £23.2m (as at 31<sup>st</sup> January) with Aberdeen Asset Management, which has placed the fund in a mixture of certificates of deposit (CDs) and cash. The list of investments held by Aberdeen is as follows:-

Lloyds TSB CD	1.0	0.45	04.02.10
RBOS CD	2.3	0.57	07.05.10
Abbey National CD	2.3	0.58	10.05.10
Nationwide BS CD	2.2	0.58	10.05.10



Lloyds CD	1.25	0.79	03.08.10
Barclays CD	2.7	0.80	04.08.10
RBOS CD	2.0	0.80	04.08.10
Clydesdale CD	2.5	1.06	24/11/10
Barclays CD	1.5	1.06	25.11.10
Nationwide CD	2.2	1.07	29/11/10
Lloyds TSB CD	2.0	1.09	06/12/10
Accrued interest	0.2		
Abbey deposit account	<u>1.05</u>		
	<b><u>23.2</u></b>		

This page is intentionally left blank

	<p style="text-align: center;"><b>Audit Committee</b> 3<sup>rd</sup> March 2010</p> <p style="text-align: center;"><b>Report from the Director of Finance and Corporate Resources</b></p>
For Information	Wards Affected: ALL
<p style="text-align: center;"><b>Internal Audit Progress Report April 2009 to January 2010</b></p>	

## 1. Summary

- 1.1. This report identifies the internal audit reports issued since December 2009 and provides a summary of the work of Internal Audit for the period from 1 April 2009 to 31 January 2010.

## 2. Recommendations

- 2.1. The Audit Committee note the progress made in achieving the 2009/10 Internal Audit Plan.

## 3. Detail

- 3.1. The Internal Audit Plan for 2009/10<sup>1</sup> comprises 1211 days, of which 951 are allocated to Deloitte Touche Public Sector Internal Audit Limited, and 260 to the in-house team. Of the total, 45 days were carried forward from 2008/09 to assist with the completion of Financial Management Standards in Schools (FMSiS) assessments in the primary schools, as previously agreed by the Audit Committee.
- 3.2. At the end of January 2010, a total of 930 days had been delivered against the overall Plan, made up of 709 Deloitte days and 221 in-house days. This represents 77% of the Plan. The current forecast is for 97% of the plan to be completed, with a carry forward of 54 days into the 2010/11 year. These relate to the audit and the FMSiS Assessment for two Foundation Schools and also work in relation to the Adult Social Care Transformation Programme.
- 3.3. In terms of the profile for 2009/10, in so far as it had been possible to allocate audits to a specific quarter prior to the start of the year, the majority of these have been progressed as planned. Specific target percentages were not agreed for each quarter given that it had not been possible to profile all audits.
- 3.4. As indicated to this committee in December 2010, a significant amount of time

has been spent in the year to date on undertaking further FMSIS assessments in the primary schools. Currently, the team is on target to assess all primary schools by the 31 March 2010 deadline. There are currently only three primary schools which are still to be assessed.

- 3.5. In addition to the Schools, a wide range of systems audits and IT audits has been undertaken together with verification work in respect of the Local Area Agreement (LAA) Stretch Targets. Capital based contract audit work has also been undertaken with Brent Housing Partnership (BHP) and in relation to the construction of the Civic Centre and the ongoing construction of the ARK Academy. In addition, a number of revenue based contract audits have been undertaken in relation to the arrangements for managing key contracts across the Council.
- 3.6. A further stream of work currently being undertaken is in relation to the Finance Modernisation project. In view of the potential for conflict between Deloitte PSIA and Deloitte Consulting, who are advising on the modernisation project, an approach has been agreed with the Director of Finance and the Head of Audit & Investigations, with regards to the Internal Audit review of control processes being designed by the Project Team. Deloitte PSIA will undertake the initial review, focusing on the adequacy of the controls set out against key risks. The in-house Audit Manager and the Head of Audit & Investigations will review and agree the findings from Deloitte PSIA's work, prior to passing a report to the Director & Deputy Director of Finance & Corporate Resources.
- 3.7. A more detailed summary of progress and key findings from our work is provided in appendix 1.

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

- 4.1. None

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

- 5.1. None

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

- 6.1. None

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

1. REPORT FROM THE DIRECTOR OF FINANCE AND CORPORATE RESOURCES – INTERNAL AUDIT PLAN FOR 2009-10, Audit Committee –18<sup>th</sup> June 2009.
2. REPORT FROM THE DIRECTOR OF FINANCE AND CORPORATE RESOURCES – 2<sup>nd</sup> INTERNAL AUDIT PROGRESS REPORT, Audit Committee – 17<sup>th</sup> December 2009.

**8. Contact Officer Details**

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

**Duncan McLeod**  
**Director of Finance and Corporate Resources**

This page is intentionally left blank



**Internal Audit  
Progress Report 2009/10  
London Borough of Brent  
March 2010**

## **Contents**

## **Page No**

Executive Summary	1
Detailed summary of work undertaken	7
Customer Satisfaction	24
Appendix A – Audit Team and Contact Details	26
Appendix B – Progress Against 2009/10 Internal Audit Plan	27



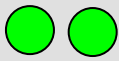



## Executive Summary

<b>Introduction</b>	<p>This report sets out a summary of the work completed against the 2009/10 Internal Audit Plan for the financial year to date.</p> <p>The report provides a summary of the main findings from each audit together with the assurance ratings for each one. Please note that this summary and assurance rating is only reported on once the individual audit reports have been finalised. Draft reports issued are also indicated and work in progress are also indicated.</p> <p>Appendix B sets out the full year's Plan, as agreed by the Committee in March 2009, together with an indication of progress at the individual audit level. This provides the details of actual progress against the originally agreed profile, as well as allowing the Committee to monitor changes to the Plan during the course of the year and to provide comment, as appropriate, on the potential addition of any specific audits.</p>
<b>Summary of progress against the Plan</b>	<p>The overall Internal Audit Plan for 2009/10 comprises 1,211 days, of which 951 are allocated to Deloitte &amp; Touche Public Sector Internal Audit Limited (Deloitte PSIA), and 260 to the in-house team. Of the total, 45 days were brought forward from 2008/09 to assist with the completion of Financial Management Standard in Schools (FMSiS) assessments in the primary schools, as previously agreed with the Committee.</p> <p>As at the end of January 2010, a total of 930 days had been delivered against the overall Plan, made up of 709 Deloitte PSIA days and 221 in-house days. This represents 77% of the Plan.</p> <p>The current forecast is for 98% of the Plan to be completed, with a carry forward of 54 days into the 2010/11 year. These relate to the audit and FMSiS assessments for two Foundation schools and also work in relation to the Adult Social Care Transformation Programme. These schools were added to the plan mid-year following the decision that Internal Audit would be responsible for undertaking this work. However, Education Finance requested a deferral for these two particular schools and hence these days need to be carried forward. With regards to the work around the Adult Social Care Transformation Programme, some days are being delivered in relation to the Re-ablement workstream. However, the Assistant Director, Quality &amp; Support, has requested that Self Directed Support (SDS) and Direct Payments be deferred until April/May 2010. Work in relation to the integration with Central &amp; North West London Mental Health Trust has also been postponed. It has not been possible to re-schedule other work and hence the carry forward is required.</p>




	<p>In terms of the profile for 2009/10, in so far as it had been possible to allocate audits to a specific quarter prior to the start of the year, the majority of these have been progressed as planned. Specific target percentages were not agreed for each quarter given that it had not been possible to profile all audits, but Appendix B can be referred to for the detailed progress by audit.</p>
<p><b>Summary of Work Undertaken</b></p>	<p>As was the case in 2008/09, a significant amount of time has been spent during the year undertaking FMSiS assessments in primary schools, in order to progress towards the deadline of having all primary schools assessed by 31 March 2010. In addition, work has continued with Education Finance in order to help strengthen common control weaknesses identified as part of the assessments, so as to help ensure that the Council gains the maximum benefit from the perspective of the robustness of the internal controls in operation across the schools. A key area of focus has been in relation to budget monitoring, The team is on target to assess all primary schools by the 31 March 2010 deadline, although this continues to be reliant on each of the schools being ready for their scheduled assessments. A further four secondary (Foundation) schools are also scheduled for a joint audit and FMSiS assessment in March 2010. The remaining secondary schools will be audited and assessed as part of the 2010/11 Plan.</p> <p>In addition to the Schools, a wide range of systems audits and IT audits has been undertaken, as well as verification work in respect of the Local Area Agreement (LAA) Stretch Targets and the Supporting People Programme (SPP) Grant. Capital based contract audit work has also been undertaken with Brent Housing Partnership (BHP) and is currently in progress in relation to the construction of the Civic Centre and the ongoing construction of the ARK Academy. In addition, a number of revenue based contract audits have been undertaken in relation to the arrangements for managing key contracts across the Council.</p> <p>A further stream of work currently being undertaken is in relation to the Finance Modernisation project. An approach has been agreed with the Director of Finance and the Head of Audit &amp; Investigations, with regards to the Internal Audit review of the control processes being designed by the Project Team. Deloitte PSIA will undertake the initial review, focusing on the adequacy of the controls set out against key risks. The in-house Audit Manager and the Head of Audit &amp; Investigations will then be responsible for reviewing and agreeing the findings from Deloitte PSIA's work, prior to passing a report to the Director and Deputy Director of Finance &amp; Corporate Resources.</p>

### Summary of Assurance Opinions and Direction of Travel

For the work finalised against the 2009/10 Internal Audit Plan to date, a summary of the Assurance Opinions awarded is set out in the table below, together with a comparison to the 2008/09 and 2007/08 financial years. Please note that an Assurance Opinion is not applicable in all cases and we have not included BHP audits within this analysis. Please see page 7 for the definitions of each of these opinions.

	Full 	Substantial 	Limited 	None 
<b>2007/08</b>	-	42% (23)	58% (32)	-
<b>2008/09</b>	-	78% (21)	22% (6)	-
<b>2009/10</b>	-	50% (11)	50% (11)	-

In addition, in any cases where an internal audit has been completed against the same scope in a prior year, an assessment of the Direction of Travel is also provided. As shown in the table below, there have been three Council audits finalised for the year to date for which such an assessment has been applicable. However, it is also noted that there have also been two BHP audits for which the Direction of Travel has been positive. Please see page 8 for the definitions of the Direction of Travel.

	Improved 	Unchanged 	Deteriorated 
<b>2008/09</b>	8	1	-
<b>2009/10</b>	2	1	-

Overall, for the work finalised for 2009/10 to date, there has been an increase in Limited assurance reports compared with the proportion in 2008/09. However, the position has been improving throughout the year and a true comparison cannot be drawn until year-end. On a positive note, where audits have been repeated, there have been no instances of deterioration in the Direction of Travel and hence the decline in the spread of opinions is not as a result of a specific decline in previously audited areas. Further audits are currently being undertaken for which a Direction of Travel will be applicable.

### FMSiS Assessments

The table below summarises the progress made and the outcomes of the assessments completed. Further details are set out on page 18.

	Pass	Conditional Pass	Fail	In progress	Still to be assessed
2007/08	3	-	-	-	-
2008/09	31	1	-	-	-
2009/10	20	2	1	-	3

Members are reminded that a school achieving a 'Conditional Pass' is given 20 working days, as per DCSF guidance, in order to address the gaps identified in the initial assessment. Evidence of this is required to be provided to Internal Audit prior to this being upgraded to a full 'Pass'. For those showing as 'Conditional Pass', we are currently in the process of confirming whether the schools have satisfactorily addressed the further actions required.

It should be noted that one school remains outstanding from 2008/09, for which the final outcome is still being determined.

### Follow-Up of Previously Raised Recommendations

With regards to the follow-up of recommendations raised and agreed with management, a more structured programme was introduced in 2008/09, as reported on to the Committee.

Under the revised approach, management are responsible for completing a self assessment of the status of implementation of each of the recommendations originally raised, following the passing of the agreed deadlines for implementation. If management indicate that the recommendations have been implemented then a meeting is arranged to verify this, following which a report will be issued. If it is found that the recommendations have not been fully implemented, either through verification or as indicated by management in their self assessment, then, as was previously the case, further actions will be identified as necessary and revised deadlines for completion will be agreed with management.

In all cases, where recommendations have not been fully implemented, the further actions will continue to be followed-up until the point at which full implementation is confirmed. This was also previously the case. However, the follow-up programme is now a rolling one as opposed to being restricted to an individual financial year. On this basis, the recommendations raised as part of a specific audit may be followed-up more than once in a single financial year, as well as potentially being followed-up in the

	<p>same financial year to that which the audit was undertaken, if it is relevant to do so given the agreed implementation deadlines. It is hoped that this will improve both the efficiency of the follow-up process, and the extent to which management recognise the importance of undertaking their own monitoring of the implementation of recommendations.</p> <p>The rolling programme is now fully in place and recommendations are being followed up with management, as and when the deadlines for implementation pass.</p>
<p><b>West London Framework</b></p>	<p>The Heads of Internal Audit from the four boroughs making up the West London Framework have continued to meet with Deloitte on a periodic basis through the Contract Compliance Board (CCB). These meetings are used to discuss general progress as well as to consider specific areas in which cross borough work may be valuable and areas in which joint improvements can be made.</p> <p>Currently, a summary report on contract management controls across the three boroughs is being compiled. Key findings from the four contract management audits undertaken in Brent have been collated and the same is being done for LB Ealing and LB Hammersmith &amp; Fulham, so as to produce one cross-borough report to be shared with the three boroughs.</p> <p>In addition, we are undertaking an exercise to compare the approach to dealing with the recent adverse weather events in each of the three boroughs, assessing the adequacy and effectiveness of controls in areas such as business continuity, budgetary control, risk assessment and communications. Where possible, there will also be an element of comparative analysis across areas such as pot hole repairs; provision of critical services; waste and refuse collection; and gritting, highlighting any significant issues or variations in each borough's response, so as to allow potential lessons to be learnt.</p> <p>The Committee will be updated on any specific developments in future meetings, as appropriate.</p>

**Customer Satisfaction**

As highlighted to Members at each Committee meeting, in addition to progress against the Plan, a key way in which the performance of Deloitte is monitored is through the issuing of Customer Satisfaction Surveys to auditees following the completion of each piece of work.

15 completed questionnaires have been received to date in relation to the work undertaken by Deloitte in 2009/10. The average for the overall rating on each completed questionnaire is 4.1 out of 5. At this stage this is slightly lower than the average overall rating for 2008/09, although in both cases the performance is classified as 'very good'. The position will be monitored through the course of the year.

The detailed breakdown of this feedback is set out on page 24 this report.

<b>Year</b>	<b>Average Overall Rating</b>
2007/08	3.88
2008/09	4.40
2009/10 (to date)	4.10

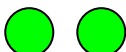



## Detailed summary of work undertaken

This section sets out a summary of the internal audits and FMSIS assessments commenced since 1<sup>st</sup> April 2009. A summary of the main findings and the Assurance Opinion are only provided for internal audits for which the final report has been issued. Please note that only priority 1 recommendations are detailed, with the number of priority 2 and 3 recommendations raised being noted. Should Members wish to see full reports for any of the audits then these can be provided upon request.

The following tables provide the definitions of the assurance opinions, together with the definitions for recommendation priorities. Please note that these only apply to internal audit work, not to FMSIS assessments. The outcomes of the FMSIS assessments are explained later in this report.

### Assurance Opinions




There are four categories by which internal audit assurance is classified. These are:

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

The assurance ratings 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, recommendations are categorised according to their level of priority as follows:

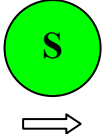
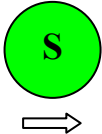
<b>Priority 1</b>	Major issues for the attention of senior management and the audit committee.
<b>Priority 2</b>	Important issues to be addressed by management in their areas of responsibility.
<b>Priority 3</b>	Minor issues resolved on site with local management.








## Summary Table

Where audits are part of the Internal Audit Plan with Brent Housing Partnership (BHP), the Assurance Opinion is indicated for any finalised reports. The summary of findings is not provided as this will / has been reported on separately to the BHP Audit & Finance Sub-Committee.


### New audits being reported as final

Audit	Status as at 16 February 2010	Assurance Opinion	
Appointeeships and Deputyships	<p>Final Report.</p> <p>One priority 1 recommendation was raised as a result of this audit. This was as follows:</p> <ul style="list-style-type: none"> <li>• All deputyship clients should be reviewed to identify the need to complete the tax return and the returns should be submitted by the 31 January as appropriate. As part of this review, HM Revenue &amp; Customs should be consulted to confirm whether the return is required for each client.</li> </ul> <p>Four priority 2 recommendations were raised where changes can be made in order to achieve greater control.</p> <p><b>All recommendations were accepted for implementation by management.</b></p> <p>There has been a positive movement in the Direction of Travel, as a Limited assurance was awarded at the time of the last audit.</p>	Substantial	
Grants to Voluntary Organisations	<p>Final Report.</p> <p>Two priority 1 recommendations were raised as a result of this audit. These were as follows:</p> <ul style="list-style-type: none"> <li>• Staff should be reminded of the need for the following to be completed:               <ul style="list-style-type: none"> <li>○ To date stamp all postal applications upon receipt;</li> <li>○ To complete the checklist for all successful applications. This should include making a reference to the previously submitted documents</li> </ul> </li> </ul>	Substantial	

Audit	Status as at 16 February 2010	Assurance Opinion	
	<p>where they are deemed appropriate; and</p> <ul style="list-style-type: none"> <li>○ To follow up outstanding documents.</li> </ul> <p>With regards to the exceptions identified, actions should be taken to complete the checklist and obtain outstanding documents. In the event that an organisation is unable to provide these or the submitted documents are found to be unsatisfactory, a decision should be made as to whether the funding should be withdrawn; and</p> <ul style="list-style-type: none"> <li>● Management should again review the approach to undertaking financial assessments.</li> </ul> <p>If it is determined that the current criteria do provide the assurances required, then a procedure should be formally agreed and documented regarding dealing with any instances whereby a negative assurance is given from the financial assessment. If it is determined that instances may exist whereby such a result can be overridden, this should be set out in the document, and it is recommended that a full justification is recorded in the assessment report on a case-by-case basis.</p> <p>In addition, steps should be taken to address the two exceptions identified.</p> <p>Five priority 2 and two priority 3 recommendations were made where changes can be made in order to achieve greater control.</p> <p><b>All recommendations were accepted for implementation by management.</b></p> <p>There has been a positive movement in the Direction of Travel, as a Limited assurance was awarded at the time of our last audit.</p>		
Transportation	<p>Final Report.</p> <p>One priority 1 recommendation was raised as a result of this audit. This was as follows:</p> <ul style="list-style-type: none"> <li>● Team Leaders should be reminded of the need to update the VoWD columns regularly.</li> </ul>	Substantial	

Audit	Status as at 16 February 2010	Assurance Opinion	
	<p>The formulae on the LIP progress spreadsheet should be checked at the start of the year by a person independent of its preparer.</p> <p>Two priority 2 and one priority 3 recommendations were made where changes can be made in order to achieve greater control.</p> <p><b>All recommendations were accepted for implementation by management.</b></p>		
E-Recruitment Post Implementation (IT)	<p>Final Report.</p> <p>No priority 1 recommendations were raised as a result of the audit.</p> <p>However, four priority 2 and four priority 3 recommendations were raised where changes can be made in order to achieve greater control.</p> <p><b>All recommendations were accepted for implementation by management.</b></p>	Substantial	
Repairs and Voids (BHP)	<p>Final Report.</p> <p>Reported to the January 2010 meeting of the BHP Audit &amp; Finance Sub-Committee.</p> <p>There was a positive movement in the Direction of Travel as a Limited assurance was awarded at the time of the last audit.</p>	Substantial	
DomDoc EDM management system (BHP) (IT)	<p>Final Report.</p> <p>Reported to the January 2010 meeting of the BHP Audit &amp; Finance Sub-Committee.</p>	Substantial	
Corporate Health & Safety	<p>Final Report.</p> <p>Three priority 1 recommendations were raised as a result of this audit. These were as follows:</p> <ul style="list-style-type: none"> <li>The Health &amp; Safety Policy should be reviewed and updated, to take account of the Corporate Manslaughter and Corporate Homicide Act 2007, as well as any other elements considered appropriate for addition/amendment by management.</li> </ul>	Limited	

Audit	Status as at 16 February 2010	Assurance Opinion	
	<p>Going forwards, it should be ensured that the Policy is subject to at least an annual review, as is currently intended to be the case.</p> <p>In addition, following the review and update of the Policy, management should review the associated Standards and Guidance documents to determine whether any further addition/amendment is required to any of these.</p> <p>Once approved, the latest version of the Policy and associated Standards and Guidance documents should be promulgated to all staff;</p> <ul style="list-style-type: none"> <li>• An action plan should be formulated and agreed, setting out all further actions needed to fully implement and embed the various new developments. This should include responsible officers and deadlines.</li> </ul> <p>On completion of all elements within the action plan, management should undertake a review to assess the extent to which these developments have been successful in terms of further strengthening the Council's arrangements for managing health and safety; and</p> <ul style="list-style-type: none"> <li>• As part of the implementation and embedding of the various new developments, management should review their assurance needs with regards to the ongoing adequacy and effectiveness of the arrangements in place to manage health and safety across the Council.</li> </ul> <p>To a certain extent this may only involve confirming the reporting lines, methods, content and frequencies between the various key officers and groups, including, but not necessarily limited to the following:</p> <ul style="list-style-type: none"> <li>○ Departmental Health &amp; Safety Co-ordinators;</li> <li>○ Departmental Health &amp; Safety Advisors;</li> <li>○ Corporate Health &amp; Safety Advisors;</li> <li>○ The Health &amp; Safety Services Manager;</li> <li>○ DMTs;</li> <li>○ Departmental Health &amp; Safety Committees;</li> <li>○ The Corporate Health &amp; Safety Committee; and</li> </ul>		

Audit	Status as at 16 February 2010	Assurance Opinion	
	<p>o CMT.</p> <p>However, as an additional source of assurance, management could consider requesting Service Area Directors and/or Heads of Service/Service Unit Directors/senior management to complete an annual declaration confirming that they have kept the arrangements under review within their respective areas during the course of the year, and that they are satisfied that any weaknesses have been addressed and that all staff are complying with the Council's requirements with regards to health and safety.</p> <p>Consideration should also be given to the extent to which independent assurances from external parties may required, or the extent to which data analysis and benchmarking may be of value.</p> <p><b>All recommendations were accepted for implementation by management.</b></p> <p>Although not verified at this stage, it is understood that the corporate Health &amp; Safety Policy has now been reviewed and updated, with approval from CMT on 26 November 2009 and sign off from the Chief Executive on 30 November 2009.</p> <p>In addition, that a corporate action/workplan was also presented to CMT on 26 November 2009 and that progress against this will be reviewed as part of the annual report to CMT.</p>		
Cash Receipting Application (IT)	<p>Final Report.</p> <p>Three priority 1 recommendations were raised as a result of this audit. These were as follows:</p> <ul style="list-style-type: none"> <li>• Management should review the current list of user accounts on the application to ensure that all redundant accounts are disabled and locked down (Please note it should first be checked that this does not have any adverse impact on the system or its data).</li> </ul> <p>The following process should be adopted for all future user account</p>	Limited	

Audit	Status as at 16 February 2010	Assurance Opinion	
	<p>changes:</p> <ul style="list-style-type: none"> <li>○ all requests for the creation and amendments to users accounts should be formally requested and authorised by the Chief Cashier via the Network Security Form;</li> <li>○ where a new user has been created, the user should be formally advised that access to the application has been permitted, and the user reminded of their password responsibility; and</li> <li>○ leavers are notified by line management to the system administrator for prompt closure of user account via the Network Security Form;</li> <li>● The process currently utilised to undertake an update of master data such as fund numbers should be reviewed to include the following change control processes: <ul style="list-style-type: none"> <li>○ Request of change sent to the Exchequer Services Manager for her review and authorisation prior to forwarding it to the administrator; and</li> <li>○ Screen dumps of the system data before and after the change.</li> </ul> <p>All documentation regarding the changes should be centrally stored and retained.</p> <p>In addition to this, the fund numbers should be reviewed to ensure they are not redundant and any redundant funds should be removed if there is no adverse impact to the system; and</p> </li> <li>● Management should discuss with the software vendor, CAPITA, the possibility of the system being configured to be able to generate audit trails and logs to report on the following: <ul style="list-style-type: none"> <li>○ user logins and unauthorised access attempts;</li> <li>○ system administrator activity;</li> <li>○ user transactions and input on the system including any contras processed; and</li> <li>○ changes to master files.</li> </ul> </li> </ul>		

Audit	Status as at 16 February 2010	Assurance Opinion	
	<p>If it is determined that any changes are not practical for the remaining period of usage of the existing system, management should seek to ensure that such functionality is included as part of the new Pay.net system.</p> <p>Five priority 2 recommendations were raised where changes can be made in order to achieve greater control.</p> <p><b>All recommendations were accepted for implementation by management.</b></p>		

Audits currently at draft report stage or in progress

The table below lists those audits for which the management responses to the Draft Report are still in the process of being discussed and agreed, or for which responses are awaited, or where the audit is currently in progress.

<b>Audit</b>	<b>Status as at 16 February 2010</b>
ARK Academy (2008/09 audit)	Awaiting Management Responses to the Draft Report – responses are overdue.
Quality Assurance Systems – Safeguarding Adults	Awaiting Management Responses to the Draft Report – responses are overdue.
Government Procurement Cards	Awaiting Management Responses to the Draft Report – management are addressing this as part of the Finance Modernisation Project.
Accuserv Application (BHP) (IT)	Awaiting Management Responses to the Draft Report.
Non Stop Gov (IT)	Awaiting Management Responses to the Draft Report.
Contact Point (IT)	Awaiting Management Responses to the Draft Report.
LAGAN Post Implementation (IT)	Awaiting Management Responses to the Draft Report.
Government Gateway Post Implementation (IT)	Awaiting Management Responses to the Draft Report.
Insurance	Awaiting Management Responses to the Draft Report.
Houses in Multiple Occupation	Awaiting Management Responses to the Draft Report.
South Kilburn TMO (BHP)	Awaiting Management Responses to the Draft Report.
LAA Stretch Targets 2006-2009 Certification (14 Stretch Targets to certify)	Draft Report to be issued.
Housing Rents	Draft Report to be issued
Payroll	Draft Report to be issued.
Council Tax	Draft Report to be issued.
NNDR	Draft Report to be issued.



Audit	Status as at 16 February 2010
Housing & Council Tax Benefits	In progress.
Adult Social Care Establishments	In progress.
Adult Social Care Transformation - Reablement	In progress.
Internal Financial Controls – Children & Families	In progress.
Internal Financial Controls – Business Transformation	In progress.
Internal Financial Controls – Finance and Corporate Resources	In progress.
Business Continuity Planning (IT)	In progress.
Internal Financial Controls (BHP)	In progress.
Internal Financial Controls – Housing	In progress.
Internal Financial Controls – Adult Social Care	In progress.
Internal Financial Controls – Environment & Culture	In progress.

## FMSIS Assessments

The table below lists those primary schools for which an FMSiS assessment has been undertaken during the 2009/10 financial year to date, as well as those that have been finalised from 2008/09 since the last Audit Committee meeting in September 2009. One assessment from 2008/09 is still to be finalised following the award of a Conditional Pass. The deadline for this was extended to allow Education Finance to work with the school to address the issues regarding their understanding of the new budget monitoring pro-forma. At the current time these are still yet to be fully addressed in this case.

The assessments are required to be undertaken in accordance with the guidance issued by the Department for Children, Schools and Families (DCSF) and differ to the standard internal audits. Assurance opinions are not relevant as the schools receive either a Pass, Conditional Pass or Fail against the Standard.

School	Assessment Outcome	Status as at 16 February 2010
<b>2008/09 Assessments</b>		
Mitchell Brook Primary School	Pass	Complete
Barham Primary School	Pass	Complete
Princess Frederica C.E Primary School	Pass	Complete
Park Lane Primary School	Pass	Complete
Salisbury Primary School	Pass	Complete
John Keble C.E Primary School	Conditional Pass	Currently determining the final outcome.
<b>2009/10 Assessments</b>		
Carlton Vale Infant School	Pass	Complete
Wykeham Primary School	Pass	Complete
Islamia Primary School	Pass	Complete
Kensal Rise Primary School	Pass	Complete





School	Assessment Outcome	Status as at 16 February 2010
Wembley Primary School	Pass	Complete
St Joseph's R.C Infant School	Pass	Complete
St Joseph's R.C Junior School	Pass	Complete
St Mary's RC Primary School	Pass	Complete
Mora Primary School	Pass	Complete
The Stonebridge Primary School	Pass	Complete
Lyon Park Junior School	Pass	Complete
Newfield Primary School	Pass	Complete
Grove Park School	Pass	Complete
Furness	Conditional Pass	Currently determining the final outcome.
Hay Lane	Pass	Complete
Manor	Pass	Complete
St Robert Southwell Primary School	Pass	Complete
Roe Green Junior School	Pass	Complete
Roe Green Infants School	Pass	Complete
Avighdor Hirsch Torah Temimah Primary School	Pass	Complete
St Mary Magdalen's RC Junior School	Pass	Complete
Brentfield Primary School	Conditional Pass	
Northwest London Jewish Day	Fail	School has been given 12 months within which to implement recommendations in order for a re-assessment to be


School	Assessment Outcome	Status as at 16 February 2010
Primary School		undertaken.
Woodfield Primary School	Conditional Pass	Currently awaiting further information from the School in response to the gaps identified as part of the Conditional Pass
Chalkhill Primary School	To be assessed in March 2010	N/A
Vernon House School	To be assessed in March 2010	N/A
Braintcroft Primary School	Still to be assessed. Assessment postponed to 2010/11 as School has just come out o Special Measures.	N/A

Audits previously reported to Committee as final

The table below sets out those audits from the 2009/10 Internal Audit Plan which have previously been reported to the Committee as final. They are included here so as to provide Members with an overview of the work completed for the year to date, together with the assurance opinions awarded.

Audit	Status as at the March 2010 Audit Committee meeting	Assurance Opinion
Veolia Contract Management / Recycling	Final Report. Previously reported to the Audit Committee in September 2009.	Substantial 
Frameworki Financial Module Post Implementation (IT)	Final Report. Previously reported to the Audit Committee in September 2009.	Substantial 
Stonebridge Estate – Hyde Contract Management	Final Report. Previously reported to the Audit Committee in December 2009.	Substantial 
Traffic Management - Notifications	Final Report. Previously reported to the Audit Committee in December 2009.	Substantial 
Blue Badges	Final Report. Previously reported to the Audit Committee in December 2009.	Substantial 
Pensions Application (IT)	Final Report. Previously reported to the Audit Committee in December 2009.	Substantial 
Windows Operating System (IT)	Final Report. Previously reported to the Audit Committee in December 2009.	Substantial 
Housing Repairs & Maintenance (BHP)	Final Report. Previously reported to the Audit Committee in December 2009.	Substantial 

Audit	Status as at the March 2010 Audit Committee meeting	Assurance Opinion
Cleaning and Grounds Maintenance Contract Management (BHP)	Final Report. Previously reported to the Audit Committee in December 2009.	Substantial 
Business Continuity Planning (BHP)	Final Report. Previously reported to the Audit Committee in December 2009.	Substantial 
Home Care – Contract Management	Final Report. Previously reported to the Audit Committee in September 2009.	Limited 
Recruitment	Final Report. Previously reported to the Audit Committee in September 2009.	Limited 
Joint Commissioning	Final Report. Previously reported to the Audit Committee in September 2009.	Limited 
Complaints	Final Report. Previously reported to the Audit Committee in September 2009.	Limited 
Private Sector Procurement Team	Final Report. Previously reported to the Audit Committee in December 2009.	Limited 
Section 106	Final Report. Previously reported to the Audit Committee in December 2009.	Limited 
Registration and Nationality Service	Final Report. Previously reported to the Audit Committee in December 2009.	Limited 
Children’s Centres Financial Management	Final Report. Previously reported to the Audit Committee in December 2009.	Limited 

Audit	Status as at the March 2010 Audit Committee meeting	Assurance Opinion	
Treasury Management	Final Report. Previously reported to the Audit Committee in December 2009.	Limited	
Treasury Management (BHP)	Final Report. Previously reported to the Audit Committee in December 2009.	Limited	
Oracle I-Procurement Sanity Check	Final Report. Previously reported to the Audit Committee in September 2009.	N/A	N/A
Risk Management (BHP)	Final Report. Previously reported to the Audit Committee in September 2009.	N/A	N/A
Watling Gardens TMO (BHP)	Final Report. Previously reported to the Audit Committee in September 2009.	N/A	N/A
Sundry Debt Recovery Team	Final Report. Previously reported to the Audit Committee in December 2009.	N/A	N/A
Traffic Management - London operational Pilot Scheme (LoPS)	Final Report. Previously reported to the Audit Committee in December 2009.	N/A	N/A
Supporting People Programme Grant	Final Report. Previously reported to the Audit Committee in December 2009.	N/A	N/A

## Customer Satisfaction

We set out below a breakdown of the feedback received through the Customer Satisfaction Questionnaires, as completed by auditees for work undertaken to date by Deloitte against the 2009/10 Internal Audit Plan.

5 = Excellent; 4 = Very Good; 3 = Satisfactory; 2 = Potential for Improvement; and 1 = Unsatisfactory.

Audit	Sufficient notice was provided prior to the start of the audit	Communication of audit objectives, purpose and scope	Effectiveness and professionalism of the auditor(s)	Auditor(s) understanding of the service you provide	Quality of exit meeting and discussion of report findings	Quality, accuracy and usefulness of the report	Overall opinion of the audit
Veolia Contract Management / Recycling	4	4	4	3	4	4	4
Complaints	4	5	3	3	4	4	4
Home Care Contract Management	5	4	4	4	3	3	3
Private Sector Procurement Team	3	4	4	4	2	3	3
Section 106	3	3	5	4	5	3	4
Sundry Debt Recovery Team	4	4	5	4	4	4	4
Traffic Management	4	5	5	4	4	4	4
Cash Receipting Application (IT)	4	4	5	5	5	5	5
E-Recruitment (IT)	5	5	5	5	5	5	5
Grants to Voluntary	3	3	4	3	3	4	3



<b>Audit</b>	<b>Sufficient notice was provided prior to the start of the audit</b>	<b>Communication of audit objectives, purpose and scope</b>	<b>Effectiveness and professionalism of the auditor(s)</b>	<b>Auditor(s) understanding of the service you provide</b>	<b>Quality of exit meeting and discussion of report findings</b>	<b>Quality, accuracy and usefulness of the report</b>	<b>Overall opinion of the audit</b>
Organisations							
Transportation	4	4	4	4	4	4	4
Blue Badges	4	4	4	4	4	4	4
Cleaning and Grounds Maintenance (BHP)	5	5	5	5	4	5	5
Treasury Management (BHP)	4	5	5	4	4	4	4
Housing Repairs & Maintenance (BHP)	5	5	5	4	5	5	5

## Appendix A – Audit Team and Contact Details

London Borough of Brent	Contact Details
Simon Lane – Head of Audit & Investigations	✉ <a href="mailto:simon.lane@brent.gov.uk">simon.lane@brent.gov.uk</a>
Aina Uduehi – Audit Manager	☎ 020 8937 1260
	✉ <a href="mailto:aina.uduehi@brent.gov.uk">aina.uduehi@brent.gov.uk</a>
	☎ 020 8937 1495

Deloitte & Touche Public Sector Internal Audit Limited	Contact Details
Richard Evans – General Manager	✉ <a href="mailto:phil.lawson@brent.gov.uk">phil.lawson@brent.gov.uk</a>
Phil Lawson – Senior Audit Manager	☎ 020 8937 1493
Shahab Hussein – Senior Computer Audit Manager	

## Appendix B – Progress Against 2009/10 Internal Audit Plan

The table below sets out the detailed progress made against the agreed 2009/10 Internal Audit Plan, together with an indication of any instances where an audit has been removed from the Plan, any where an audit has been added, and also any for which the planned timing has had to be amended.

AUDIT	DAYS	PROPOSED COVERAGE	KEY CONTACT	ORIGINAL PROPOSED TIMING	STATUS AS AT 16 FEBRUARY 2010
<b>CROSS COUNCIL AUDITS (70 Days) (increased to 72 days)</b>					
Corporate Health & Safety	10	To focus on the controls in place with regards to managing health and safety across the Council. It is proposed that the specific scope of the audit should be aligned to the 10 point Health & Safety Service Plan produced for 2008/09, as this was formulated on the basis of the Health & Safety Commission (HSC) / industry guidance 'Health & Safety Leadership Checklist'. Consideration will also be given to the extent to which the new Health & Safety (Offences) Bill and the recently enacted Corporate Manslaughter & Corporate Homicide Act 2007 have been embedded into the Council's arrangements.	Geoff Galilee – Service Unit Director, Health, Safety & Licensing	Qtr 1	Draft Report issued – awaiting management responses.
Registers of Interest / Gifts & Hospitality	10 <i>(reduced to 0)</i>	To focus on the controls in place across the Council for ensuring that officers declare any interests / gifts & hospitality; that gifts & hospitality are only accepted in line with Council policy; and that appropriate follow-up actions are taken by management to ensure that any officers declaring interests / gifts & hospitality are operating in an appropriate manner.	To be determined	Qtr 1	Audit removed from the Plan due to the new Policy not yet having been implemented – to be included in the 2010/11 Plan.

AUDIT	DAYS	PROPOSED COVERAGE	KEY CONTACT	ORIGINAL PROPOSED TIMING	STATUS AS AT 16 FEBRUARY 2010
Use of Consultants	10 <i>(reduced to 0)</i>	To focus on the controls in place around the identification of need for consultants to be engaged; the hiring of appropriately skilled and experienced consultants; the achievement of value for money in the hiring of consultants; and the monitoring of performance and time input for those consultants engaged.	To be determined	Qtr 2	Audit removed from the Plan due to the potential conflict of interest between Deloitte PSIA and Deloitte MCS.  The in-house team's allocation of days does not allow this to be moved to them.  Consideration will be given to whether this should be included within the 2010/11 Plan.
Project Management – feeding into One Council Review (part Contract Audit)	10 <i>(reduced to 2)</i>	To feed into the Once Council review being led by the Assistant Director of Regeneration on the management of Major Regeneration Programmes and Major Projects.  Specific scope and approach still to be discussed with the Assistant Director of Regeneration.  Work to be combined with IT Project Management, as included within the IT Plan.	Andy Donald – Assistant Director of Regeneration	To be determined	Senior Manager and Contract Audit Manager attended an initial workshop in June 2009, to provide an overview of weaknesses identified from previous audit work across the Council, as well as issues identified in other public sector organisations and potential key elements to consider.  Development of a Project Management methodology is now being taken forward as part of the Council's Improvement & Efficiency Strategy and so no further input from Internal Audit is

AUDIT	DAYS	PROPOSED COVERAGE	KEY CONTACT	ORIGINAL PROPOSED TIMING	STATUS AS AT 16 FEBRUARY 2010
					planned at this stage.
Local Public Service Agreement (LPSA) – Efficiency Target	10	Completion of necessary checks in order to certify that the stretch efficiency target has been met, thereby enabling the Council to claim the associated Performance Reward Grant.	Duncan McCleod – Director of Finance & Corporate Resources	Qtr 2	Audited as part of LAA Stretch Targets Certification in Qtr 2.
Annual Governance Statement	20	Production of the Annual Governance Statement through the co-ordination of the completion of the Certificates of Assurance by Directors and the annual review of the Council's Corporate Governance Action Plan.	Simon Lane – Head of Audit & Investigations / Directors	Qtr 4	Currently in progress. Draft AGS will be presented to the Audit Committee in June 2010.
Contract Management Summary Report	3 <i>(added to the Plan)</i>	Production of a summary report of the key / common issues arising from the four contract management audits being undertaken	N/A	Added for Qtr4	In Progress – the key findings from the four contract management audits undertaken in Brent have been collated. We are now working on doing the same for LB Ealing and LB Hammersmith & Fulham, so as to produce one cross-borough report.
CRC Energy Efficiency Scheme	15 <i>(added to the Plan)</i>	To undertake an exercise to assist management with determining their readiness with regards to the forthcoming CRC Energy Efficiency Scheme.	Duncan McLeod – Director of Finance & Corporate Resources	Added for Qtr4	In Progress – a workshop has been held with key officers, primarily from Environment & Culture and Property & Asset Management, in order to assess the current level of preparedness for the

AUDIT	DAYS	PROPOSED COVERAGE	KEY CONTACT	ORIGINAL PROPOSED TIMING	STATUS AS AT 16 FEBRUARY 2010
					scheme. Additional work is being undertaken with specific officers prior to a report and action plan being issued.
Cross Borough Work	12 ( <i>added to the Plan</i> )	Days have been agreed with each of the boroughs in the West London Framework for undertaking cross borough work in Qtr4.	Various	Added for Qtr4	In Progress – In addition to the cross borough report on contract management controls, we are also undertaking an exercise to compare the three boroughs' approach to dealing with the recent adverse weather, looking at controls in areas such as business continuity and budgetary control, as well as the extent to which lessons had been learnt from the snowfalls in February 2009 and the extent to which further lessons can now be learnt going forwards.
Finance Modernisation Project	25 ( <i>added to the Plan</i> )	Review work in relation to the control processes being designed as part of the Finance Modernisation Project, focusing on the adequacy of controls being set out in the initial high level designs. Work will continue into 2010/11 as the detailed designs are formulated.	Duncan McCleod – Director of Finance & Corporate Resources / Mick Bowden – Deputy Director	Added for Qtr4	In Progress.

AUDIT	DAYS	PROPOSED COVERAGE	KEY CONTACT	ORIGINAL PROPOSED TIMING	STATUS AS AT 16 FEBRUARY 2010
			of Finance & Corporate Resources		
<b>FINANCE &amp; CORPORATE RESOURCES (108 Days) (reduced to 88)</b>					
Council Tax	15	Annual systems audit focussing on key controls and any systems changes.	Paula Buckley – Head of Client Team – Revenue & Benefits	Qtr 3	In Progress.
Housing & Council Tax Benefits	15	Annual systems audit focussing on key controls and any systems changes.	David Oates – Head of Benefits – Revenue & Benefits	Qtr 3	In Progress.
NNDR	15	Annual systems audit focussing on key controls and any systems changes.	Paula Buckley – Head of Client Team – Revenue & Benefits	Qtr 3	In Progress.
Treasury Management	10	Annual systems audit focussing on key controls and any systems changes.	Martin Spriggs – Head of Exchequer & Investment	Qtr 1	Final Report issued.
Internal Financial Controls	15	Annual audit focussing on key financial controls operating within the Service Areas and the extent to which the Council's Financial Regulations are being complied with. Specific areas of focus include the raising of invoices; receipt of income; debt recovery and write-off; payments; BACs and cheque controls; journals; and	Mark Peart – Head of Financial Management	Qtr 4	In Progress.

AUDIT	DAYS	PROPOSED COVERAGE	KEY CONTACT	ORIGINAL PROPOSED TIMING	STATUS AS AT 16 FEBRUARY 2010
		reconciliations.			
Sundry Debt Recovery Team	8	To focus on the systems of control being designed and implemented by the new Sundry Debt Recovery Team to take responsibility for debt recovery across the Council.	Sarah Cardno – Exchequer Services Manager	Qtr 2	Final Report issued.
Insurance	10	To focus on the controls in place around the Council's insurance function. Specific areas of focus are likely to include identification of required insurance coverage; raising of claims; monitoring progress and receipt of claims; processing of claims made against the Council; monitoring of claims received against the Council; and action taken to minimise the receipt of claims.	Alison Matheson – Head of Procurement Strategy & Risk Management	Qtr 1	Draft Report to be issued.
Procurement - feeding into One Council Review (part Contract Audit)	10 <i>(reduced to 0)</i>	To feed into the Once Council review being led by the Head of Procurement Strategy & Risk Management and the Borough Solicitor on Procurement and Contract Management.  Specific scope and approach still to be discussed with the Head of Procurement Strategy & Risk Management and the Borough Solicitor.	Alison Matheson – Head of Procurement Strategy & Risk Management	To be determined	Audit removed from the Plan. It is now unlikely that any input from Internal Audit will be appropriate in the 2009/10 financial year as the various Improvement & Efficiency projects are currently still at the scoping stage. This will be considered for inclusion as part of the 2010/11 Plan.
Procurement - post One Council Review (part Contract Audit)	10 <i>(reduced to 0)</i>	To focus on the controls put in place as part of the One Council review and the extent to which these are being effectively operated.	Alison Matheson – Head of Procurement Strategy & Risk	Qtr 4	As above.



AUDIT	DAYS	PROPOSED COVERAGE	KEY CONTACT	ORIGINAL PROPOSED TIMING	STATUS AS AT 16 FEBRUARY 2010
			Management		
<b>CHILDREN &amp; FAMILIES (220 Days) (increased to 253 days)</b>					
FMSIS Assessments	112	Completion of assessments for the 25 remaining primary schools.	Bharat Jashapara – Head of Finance – Children & Families	Across the year	In progress – see breakdown in Executive Summary.
Schools Thematic Work	10 <i>(reduced to 0)</i>	To focus on a specific theme and visit a sample of schools to either assess compliance with the requirements of the Financial Regulations for Schools, or to assess the adequacy and effectiveness of controls in respect of fraud and non-fraud risks in that area.  Thematic work being undertaken in 2008/09 is focussing on Procurement and compliance with the Financial Regulations for Schools.	Bharat Jashapara – Head of Finance	Qtr 3	Removed from the Plan to accommodate the Foundation Schools that have been added.
Fostering & Adoption	10 <i>(reduced to 0)</i>	To focus on the controls in place around the assessment and approval of persons applying to be carers.	Graham Genoni – Assistant Director of Social Care	Qtr 1	Audit removed from the Plan as OFSTED inspection in this area – days being put towards addition of Foundation Schools.
SEN Statementing	10 <i>(reduced to 0)</i>	To feed into the Improvement & Efficiency review being undertaken in this area. Specific scope and approach still to be discussed with the Assistant Director of Achievement & Inclusion.	Rik Boxer – Assistant Director of Achievement & Inclusion	To be determined	Audit removed from the Plan due to the service review that has already been undertaken by the Brent Excellence Support Team (BEST). This will be considered for inclusion as

AUDIT	DAYS	PROPOSED COVERAGE	KEY CONTACT	ORIGINAL PROPOSED TIMING	STATUS AS AT 16 FEBRUARY 2010
					part of the 2010/11 Plan.
Child Protection	15 <i>(reduced to 2)</i>	To feed into the Improvement & Efficiency review being undertaken in this area. Specific scope and approach still to be discussed with the Assistant Director of Social Care.	Graham Genoni – Assistant Director of Social Care	To be determined	Time was input into scoping and preparing for this audit. This included liaison with the Assistant Director of Social Care and the BEST, so as to co-ordinate this with their service review in this area.  However, the Council has since had an unannounced visit from Ofsted and will now be subject to a full inspection. The audit is therefore being removed from the Plan. However, work will be considered for 2010/11 in order to assess the extent to which any recommendations raised by Ofsted have been implemented.
Joint Commissioning	10	To focus on the controls in place around the operations of the Joint Commissioning Team. Specific areas of focus are likely to include the achievement of value for money; compliance with the Council's Financial Regulations; management of partnership risk; and contract management.	Krutika Pau – Assistant Director of Strategy & Partnerships	Qtr 1	Final Report issued.

AUDIT	DAYS	PROPOSED COVERAGE	KEY CONTACT	ORIGINAL PROPOSED TIMING	STATUS AS AT 16 FEBRUARY 2010
Internal Financial Controls	15	Annual audit focussing on key financial controls operating within the Service Areas and the extent to which the Council's Financial Regulations are being complied with. Specific areas of focus include the raising of invoices; receipt of income; debt recovery and write-off; payments; BACs and cheque controls; journals; and reconciliations.	Bharat Jashapara – Head of Finance – Children & Families	Qtr 4	In Progress.
Wembley Park Academy Project (Contract Audit)	12	To focus on controls in place around the ongoing management of the Wembley Park Academy project. Contract audit work has been undertaken in 2008/09 focusing on initial stages of the project, including controls around tendering and governance structures.	Mustafa Salih – Assistant Director of Finance & Performance	To be determined	In Progress.
Early Years	10 <i>(reduced to 0)</i>	To focus on the controls in place around the co-ordination of the service and the award of grant funding to nurseries.	Krutika Pau – Assistant Director of Strategy & Partnerships	Qtr 2	Audit removed from the Plan as work on Children's Centres has partly covered this – days being put towards addition of Foundation Schools.
Children's Centre Establishment Visit <i>(changed to look at financial management across a number of Centres)</i>	10 <i>(increased to 15)</i>	To focus on the controls in place around the management and administration of a chosen Children's Centre. Specific areas of focus are likely to include governance; staffing; procurement; income; management of assets; and budgetary control. Specific Children's Centre to be agreed with the Assistant Director of Strategy &	Krutika Pau – Assistant Director of Strategy & Partnerships	Qtr 1	Final Report issued.

AUDIT	DAYS	PROPOSED COVERAGE	KEY CONTACT	ORIGINAL PROPOSED TIMING	STATUS AS AT 16 FEBRUARY 2010
		Partnerships and the Head of Finance. <i>Approach that was agreed on was to focus on key elements of financial management across a number of Children's Centres, as opposed to just visiting one Centre, i.e. thematic style work.</i>			
Other Establishment Visit	8	To focus on the controls in place around the management and administration of a chosen establishment (not a school or Children's Centre). Specific areas of focus are likely to include governance; staffing; procurement; income; management of assets; and budgetary control.  Specific establishment to be agreed with the Assistant Director of Achievement & Inclusion and the Head of Finance.	Rik Boxer – Assistant Director of Achievement & Inclusion	Qtr 2	Audit Removed from Plan – replaced by Foundation School Audits.
John Kelly Boys and John Kelly Girls Schools (pre-Academy)	20 <i>(added to the Plan)</i>	Education Finance requested these to be added to the Plan, prior to the two schools transferring to Academy status, so as to provide the Council with an overview of the control environment for the first half of the 2009/10 financial year.	Bharat Jashapara – Head of Finance – Children & Families	Added for Qtr2	Draft Reports issued and being discussed.
Foundation Schools (Audit + FMSiS Re-Assessment)	48 <i>(added to the Plan)</i>	Audits of four Foundation Schools plus FMSiS re-assessment in line with the DCSF's three year cycle.  The remaining Foundation Schools will be audited and re-assessed as part of the 2010/11 Internal Audit Plan.	Bharat Jashapara – Head of Finance – Children & Families	Added for Qtr4	Four schools scheduled for March 2010.

AUDIT	DAYS	PROPOSED COVERAGE	KEY CONTACT	ORIGINAL PROPOSED TIMING	STATUS AS AT 16 FEBRUARY 2010
<b>ENVIRONMENT &amp; CULTURE (107 Days) (reduced to 94 days)</b>					
Sports Service	12	To focus on the systems of control in place within the internally managed Bridge Park and Charteris Centres. Specific areas of focus are likely to include the receipt of income at the Centres; recruitment and training of appropriate staff; maintenance and health & safety management; and performance management. This work will build on the internal audit undertaken in 2008/09 around the management of the contracts for the externally managed Willesden and Vale Farm Centres.	Sue Harper – Assistant Director, Leisure & Regeneration	Qtr 4	Audit to be undertaken in early March 2010
Transportation	15 <i>(reduced to 12)</i>	To focus on the controls implemented within Transportation following restructuring and internal review work undertaken in 2008/09. Specific scope and approach still to be discussed with the Assistant Director, Streets & Transportation.	Irfan Malik – Assistant Director, Streets & Transportation	Qtr 2	Final Report issued.
Internal Financial Controls	15	Annual audit focussing on key financial controls operating within the Service Areas and the extent to which the Council's Financial Regulations are being complied with. Specific areas of focus include the raising of invoices; receipt of income; debt recovery and write-off; payments; BACs and cheque controls; journals; and reconciliations.	Ken Patterson – Head of Finance	Qtr 4	Audit to commence 23 February 2010

AUDIT	DAYS	PROPOSED COVERAGE	KEY CONTACT	ORIGINAL PROPOSED TIMING	STATUS AS AT 16 FEBRUARY 2010
Traffic Management Act – Part 3	10 <i>(increased to 15)</i>	To focus on the controls in place to ensure the Council's compliance with the Traffic Management Act 2004. Specific areas of focus are likely to include network management and enforcement policies; issuing of permits and collection of fees; inspections; fixed penalty notices; and performance monitoring.  <i>Additional two days added due to the audit looking at both the existing controls around 'notifications' and the Council's preparedness for the implementation of the new London Operational Permit Scheme (LoPS).</i>	Irfan Malik – Assistant Director, Streets & Transportation	Qtr 2	Final Report issued.
Section 106	10	To focus on the controls in place around the Identification and agreement of S106 monies; receipt of monies; and identification of the use of funds.	Michael Read – Assistant Director, Policy & Regulation	Qtr 2	Final Report issued.
Recycling	10 <i>(reduced to 0)</i>	To focus on the controls in place around the Council's recycling service, including the enforcement of the compulsory green box recycling scheme and administration of the other methods of recycling available to residents.	Keith Balmer – Director of StreetCare	Qtr 1	Audit combined with Veolia Contract Management – five days added to budget for Veolia Contract Management and five added to contingency
Libraries	15 <i>(reduced to zero)</i>	To focus on the systems of control in place following the recent restructuring of the Library Service, including the controls in place to ensure compliance across individual libraries.	Sue Harper – Assistant Director, Leisure & Regeneration	Qtr 4	Audit removed from plan due to restructuring. Replaced by additional work on BHP TMOs'

AUDIT	DAYS	PROPOSED COVERAGE	KEY CONTACT	ORIGINAL PROPOSED TIMING	STATUS AS AT 16 FEBRUARY 2010
Veolia Contract Management (Contract Audit)	10 <i>(increased to 15)</i>	To focus on the controls in place around the management of the waste management contract with Veolia.	Keith Balmer – Director of StreetCare	Qtr 1	Final Report issued.
Environmental Health	10 <i>(reduced to 0)</i>	To feed into the Improvement & Efficiency review being undertaken in this area. Specific scope and approach still to be discussed with the Assistant Director, Policy & Regulation.	Michael Read – Assistant Director, Policy & Regulation	To be determined	Audit removed from the Plan as scale of changes being made is understood be relatively small.
<b>HOUSING (55 Days)</b>					
Internal Financial Controls	15	Annual audit focussing on key financial controls operating within the Service Areas and the extent to which the Council's Financial Regulations are being complied with. Specific areas of focus include the raising of invoices; receipt of income; debt recovery and write-off; payments; BACs and cheque controls; journals; and reconciliations.	Eamonn McCarroll – Head of Finance	Qtr 4	In Progress.
HMO (Houses in Multiple Occupation) Licensing	10	To focus on the controls in place around the processing of applications for HMO licenses; confirming compliance with qualifying requirements; the receipt of income for licenses; and ongoing monitoring / enforcement.	Perry Singh – Assistant Director, Housing Needs / Private Sector	Qtr 3	Awaiting Management Response. .
Supporting People Programme Grant	10 <i>(added to the Plan)</i>	Certification of Supporting People Programme Grant.	Liz Zacharias	Added for Qtr 1	Audit added to the Plan and replaced with HMO audit scheduled for Qtr 1 deferred to Qtr 2. Final Report issued.

AUDIT	DAYS	PROPOSED COVERAGE	KEY CONTACT	ORIGINAL PROPOSED TIMING	STATUS AS AT 16 FEBRUARY 2010
Private Sector Procurement Team	10	To focus on the controls in place around the procurement of private sector properties by the recently integrated Private Sector Procurement Team.	Perry Singh – Assistant Director, Housing Needs / Private Sector	Qtr 2	Final Report issued.
Performance Indicators	10 <i>(reduced to 0)</i>	To focus on the controls in place around the collection, collation, verification and reporting of data relating to key Housing performance indicators.	Tony Hirsch – Head of Policy & Performance	Qtr 1	Replaced by audit of Supporting People Programme Grant not previously included on Plan.
Stonebridge Estate – Hyde Contract Management	10	To focus on the controls in place around the management of the Stonebridge Estate contract with Hyde Group.	Maggie Rafalowicz – Assistant Director, Housing Strategy & Regeneration	Qtr 3	Final Report issued.
<b>COMMUNITY CARE (111 Days) (reduced to 91)</b>					
Transformation – Assessment & Care Management <i>(changed to focus on the Reablement workstream)</i>	20 <i>(reduced to 10)</i>	To focus on the adequacy of controls implemented or being implemented in relation to the new assessment and care management framework being developed as part of the Adult Social Care Transformation Programme. Potentially to also conduct testing around the effectiveness of controls where implemented.  <i>(The focus has changed and we are now looking at the Reablement workstream. This is a new workstream and hence our work at this stage is focused on the adequacy of the controls being planned).</i>	Christabel Shawcross – Assistant Director, Community Care  <i>(Lance Douglas – Assistant Director, Quality &amp; Support)</i>	Qtr 4	In Progress.



AUDIT	DAYS	PROPOSED COVERAGE	KEY CONTACT	ORIGINAL PROPOSED TIMING	STATUS AS AT 16 FEBRUARY 2010
Transformation – Self Directed Support	10 <i>(increased to 20, but postponed until 2010/11 as carry forward)</i>	To focus on the progress made in the development and implementation of systems of control in respect of Self Directed Support. Internal audit work has been undertaken as part of the 2008/09 Plan, but has been more focussed on assessing the adequacy of any controls currently being planned for implementation as well as facilitating further discussion on specific issues to be considered during the development stages.  <i>(Follow-up of the work done on Direct Payments in 2008/09 will also be combined into this audit).</i>	Lance Douglas – Assistant Director, Quality & Support	Qtr 2	Postponed until April/May 2010/11 – 20 days carry forward into the 2010/11 Plan.
Grants to Voluntary Organisations	10	To focus on the controls being implemented as part of the restructure of this area, in terms of the way in which the Main Programme Grant is allocated and administered, and the way in which the team responsible for this operates. The implementation of further actions identified as being necessary from the 2008/09 follow-up of the 2007/08 internal audit in this area will also be focussed upon in this audit.	Linda Martin – Head of Service Development & Commissioning	Qtr 3	Final Report issued.
Internal Financial Controls	15	Annual audit focussing on key financial controls operating within the Service Areas and the extent to which the Council's Financial Regulations are being complied with. Specific areas of focus include the raising of invoices; receipt of income; debt recovery and write-off; payments; BACs	Gordon Fryer – Assistant Director, Finance & Resources	Qtr 4	In Progress.

AUDIT	DAYS	PROPOSED COVERAGE	KEY CONTACT	ORIGINAL PROPOSED TIMING	STATUS AS AT 16 FEBRUARY 2010
		and cheque controls; journals; and reconciliations.			
Appointeeships & Deputyships	10	To focus on the controls in place around the management of funds for vulnerable clients. This area was previously audited at the end of 2006/07 but has not yet been followed up due to the implementation of the finance module within Frameworki and the migration of financial data to that system. That migration is now nearing completion after which this audit will take place.	Gordon Fryer – Assistant Director, Finance & Resources	Qtr 1	Final Report issued.
Mental Health Integration with Central & North West London Mental Health Trust	10	To focus on the controls being planned and implemented as part of the integration of the Mental Health Service and Central & North West London Mental Health Trust.	Christabel Shawcross – Assistant Director, Community Care	Q4	Audit not undertaken as the Assistant Director, Community Care, left the organisation before scope of audit could be determined.
Blue Badges	8	To focus on the controls in place over the processing of applications for a Blue Badge, including verifying entitlement and avoiding duplicate awards.	Christabel Shawcross – Assistant Director, Community Care	Qtr 2	Final Report issued.
Quality Assurance Systems - Safeguarding	10	To focus on the controls being designed and implemented as part of a new quality assurance system to address the action plan resulting from the recent CSCI (Commission for Social Care Inspection) inspection. The focus will be on the	Christabel Shawcross – Assistant Director, Community Care	Qtr 1	Draft report issued – awaiting management responses - overdue

AUDIT	DAYS	PROPOSED COVERAGE	KEY CONTACT	ORIGINAL PROPOSED TIMING	STATUS AS AT 16 FEBRUARY 2010
		adequacy of these controls as opposed to on their effectiveness at this stage.			
Home Care Contract Management (Contract Audit)	10	To focus on the controls in place around the management of the Home Care contract.	Linda Martin – Head of Service Development & Commissioning	Qtr 1	Final Report issued.
Establishment visit	8	To focus on the controls in place around the management and administration of a chosen establishment. Specific areas of focus are likely to include staffing; procurement; income and cash handling; management of assets; and budgetary control.  Specific establishment to be agreed with the Assistant Director, Community Care. <i>(Focus of this work has been amended. Rather than visiting one establishment, a report is being written to summarise the common weaknesses that have been identified across the establishments in recent audits. A workshop will then be organised with key officers to discuss this, so as to help ensure a shared understanding and to try and address the weaknesses in a consistent manner across all establishments).</i>	Christabel Shawcross – Assistant Director, Community Care	Qtr 2	In Progress.
<b>POLICY &amp; REGENERATION (45 Days) (reduced to 25)</b>					
Performance Management/LAA Stretch Targets	15	Specific use of these days is still to be discussed with the Assistant Director, Policy.	Cathy Tyson – Assistant Director, Policy	Qtr 2 & 3	Draft Report to be issued.

AUDIT	DAYS	PROPOSED COVERAGE	KEY CONTACT	ORIGINAL PROPOSED TIMING	STATUS AS AT 16 FEBRUARY 2010
Certification		Work undertaken in 2008/09 has focused on the controls in place around the collection, collation, verification and reporting of data in relation to a number of performance indicators, including the Local Area Agreement (LAA) Stretch Targets.			
Complaints	10	To focus on the controls in place for ensuring that all received complaints are dealt with in an appropriate and timely manner, in accordance with the Council's Complaints Policy, and the extent to which controls are in place for seeking to minimise future complaints.	Susan Riddle – Corporate Complaints Manager	Qtr 1	Final Report issued.
Regeneration	20 <i>(reduced to 0)</i>	Specific use of these days is still to be discussed with the Assistant Director of Regeneration	Andy Donald – Assistant Director of Regeneration	To be determined	Initial discussions were held with the Assistant Director of Regeneration to discuss potential coverage. Days now removed from the Plan. Consideration will be given to inclusion within the 2010/11 Plan.
<b>COMMUNICATION &amp; DIVERSITY (10 Days) <i>(reduced to 0 days)</i></b>					
Equalities	10 <i>(reduced to 0)</i>	To focus on the controls in place in respect of managing equality related issues across the Council, and preparedness for the changes being introduced around the Standard.  Currently the Corporate Diversity Team are focusing on the Council achieving Level 4 against the Standard, having	Jennifer Crook – Head of Diversity	Qtr 3	Audit removed from the Plan in agreement with the Head of Diversity due to coverage from the external assessments.

AUDIT	DAYS	PROPOSED COVERAGE	KEY CONTACT	ORIGINAL PROPOSED TIMING	STATUS AS AT 16 FEBRUARY 2010
		already achieved Level 3. Further discussions will be held with the Head of Diversity regarding the exact focus of this audit so as to avoid any duplication with the external assessment against the Standard.			
<b>BOROUGH SOLICITOR (12 Days)</b>					
Registration and Nationality Service	12	To focus on the controls in place around processing requests for checking British Citizenship applications; registering births and deaths; taking notices of intent to marry or join in civil partnership; and the receipt of income for each of the above.	Mark Rimmer – Service Unit Director – Registration & Nationality Service	Qtr 1	Final Report issued.
<b>BUSINESS TRANSFORMATION (196 Days)</b>					
IT	146 <i>(reduced to 116)</i>	See separate plan – Table 2	-	-	See Table 2.
Payroll	15	Annual systems audit focussing on key controls and any systems changes.	Simon Britton – Head of The People Centre	Qtr 3	In Progress.
Government Procurement Cards	10	To focus on the controls in place around Government Procurement Cards (GPC). Specific areas of focus are likely to include the provision of GPCs; review of card holder's expenditure; and monitoring of overall spending patterns.	Simon Britton – Head of The People Centre	Qtr 2	Draft report issued – awaiting management responses.
Recruitment (existing arrangements)	10	To focus on the controls in place around recruitment. Specific areas of focus are likely to include approval of new posts; advertising of vacancies; assessment of	Simon Britton – Head of The People Centre	Qtr 1	Final Report issued.

AUDIT	DAYS	PROPOSED COVERAGE	KEY CONTACT	ORIGINAL PROPOSED TIMING	STATUS AS AT 16 FEBRUARY 2010
		candidates; and approval of job awards.			
Employee Verification	10	To focus on the controls implemented around the new arrangements for directly awarding work permits to job applicants to the Council and the schools (the Council is now licensed to award these under the Government's new points based scheme). Also to focus on compliance with the Council's newly updated CRB policy.	Simon Britton – Head of The People Centre	Qtr 3	Audit to be done.
Civic Centre Project (part Contract Audit)	15	To focus on the controls in place over the management of the project as a whole, as well as potential focus on the specific construction elements of the project from a contract audit perspective and / or the management of other sub-elements of the overall project. Specific scope and approach still to be discussed with the Assistant Director, Business Transformation.	Aktar Choudhary – Assistant Director, Business Transformation	To be determined	In Progress.
<b>OTHER</b>					
<b>Brent Housing Partnership (BHP)</b>	128 <i>(increased to 138)</i>	See separate plan – Table 3	-	-	See Table 3.
<b>Consultation, Communication and Reporting (Deloitte)</b>	85	To cover attendance by Deloitte management at meetings across the Council, for example Strategic Finance Group, Schools Causing Financial Concern, and Audit & Investigations Management meetings. Also to cover	N/A	Throughout the year	In Progress.

AUDIT	DAYS	PROPOSED COVERAGE	KEY CONTACT	ORIGINAL PROPOSED TIMING	STATUS AS AT 16 FEBRUARY 2010
		Deloitte management attendance at Audit Committee meetings and the production of progress reports for these. In addition, to cover Deloitte managements' non-audit specific liaison and communication with officers across the Council on a day-to-day basis and with the Council's external auditors, the Audit Commission. For example, ongoing liaison with Directors and Assistant Directors regarding any necessary revisions to the Plan and communication of key issues arising from completed internal audit work, and liaison with the Audit Commission regarding their review of completed internal audit work.			
<b>Follow-Up</b>	40	Completion of follow-up work on all recommendations raised and agreed as part of the 2008/09 Internal Audit Plan, where the same audits are not being undertaken again as part of the 2009/10 Plan. Also, to follow-up on any further actions raised as part of the 2008/09 follow-up work as being necessary to fully implement recommendations from 2007/08 internal audits.	N/A – dependent upon each internal audit to be followed-up	Throughout the year	In Progress.
<b>Contingency</b>	14 (currently increased to 44)	To be allocated to any new developments or new / emerging risk areas during the course of the year. The number of days assigned to	N/A – dependent upon work required	N/A – dependent upon work required	The contingency balance relates to the two Foundation schools (24 days) and the work on the

AUDIT	DAYS	PROPOSED COVERAGE	KEY CONTACT	ORIGINAL PROPOSED TIMING	STATUS AS AT 16 FEBRUARY 2010
		contingency is relatively low given the overall size of the Plan. However, based on previous years, this is likely to grow during the course of the year due to audits needing to be postponed due to delays in projects / new developments being fully implemented. In the event that additional work is required for which insufficient contingency days are available, a decision will be made on whether other lower risk audits can be deferred until 2010/11.			Adult Social Care Transformation Programme (20 days) which we have explained in the main body of the report and which will be carried forward to 2010/11.
<b>TOTAL</b>	<b>1211</b>				



Table 2 – IT Plan

AUDIT	DAYS	PROPOSED COVERAGE	KEY CONTACT	PROPOSED TIMING	STATUS AS AT 16 FEBRUARY 2010
Oracle Application Audit	10 <i>(reduced to 0)</i>	To focus on the new version of Oracle to be used by Housing & Community Care and Children & Families from April 2009. Specific areas of focus are likely to include access controls; data input controls; data processing controls; data output controls; data interfaces; management trails; backup and recovery; and maintenance and support arrangements.  The audit will also take account of previous findings from the Application Audit done with Housing & Community Care in 2007/08, as followed-up in 2008/09.	Mark Peart – Head of Financial Management	Qtr 1	Audit removed from the Plan at the request of the Head of Financial Management due to focus on year-end closing of accounts and progressing Oracle roll-out.  However, this has been replaced with a further audit on the I-Procurement module.  An audit of the full Oracle application will be included within the 2010/11 Plan following full roll-out.
Oracle I-Procurement Pre-Implementation ('Sanity Check')	7	New I-Procurement module due to be piloted in Children & Families in May / June 2009. To undertake a 'sanity check' on the adequacy of the IT controls built into this module prior to full roll out by management.	Mark Peart – Head of Financial Management	Qtr 1	Final Report issued.
Oracle I-Procurement Module	10 <i>(added to the Plan, but later postponed and hence reduced to 0)</i>	Further work around the development and roll out of the I-Procurement module, as requested by the Head of Financial Management.	Mark Peart – Head of Financial Management	Added for Qtr 4	Audit was added in December at the request of the Head of Financial Management.  However, as per the comments above, it was later requested that this be postponed due to the focus on year-end closing

AUDIT	DAYS	PROPOSED COVERAGE	KEY CONTACT	PROPOSED TIMING	STATUS AS AT 16 FEBRUARY 2010
					and progressing the roll-out.
Oracle Pre-Implementation (Environment & Culture and Finance & Corporate Resources)	10 <i>(reduced to 0)</i>	Environment & Culture and Finance & Corporate Resources due to go live on Oracle from 1 April 2010. Pre-Implementation Audit to cover these two Service Areas, but scope to be tailored to focus on key areas. Some areas of scope to be considered for exclusion where they have been previously covered in the Children & Families Pre-Implementation Audit, although any previously raised recommendations to be followed-up where further actions have been identified as necessary from our 2008/09 work.	Mark Peart – Head of Financial Management	Qtr 3	Audit removed, as per comments above.
Government Gateway Post Implementation	10	Postponed from 2008/09 due to delay in implementation. Post Implementation audit focusing on the controls in place around user requirements; maintenance and support arrangements; security; interfaces; and the assessment of the benefits realised by the project.	Raj Seedher – IT Standards Manager	Qtr 2	Draft Report issued – awaiting management responses.
Framework Financials Post Implementation	10	Post Implementation audit focusing on the controls in place around user requirements; maintenance and support arrangements; security; interfaces; and the assessment of the benefits realised by the project.	Gordon Fryer – Assistant Director, Finance, Adult Social Care	Qtr 2	Final Report – issued.
Contact Point	10	Council are required to provide assurances prior to being given access to the national Contact Point database. To focus on the controls in place to ensure that those assurances can be given, and to potentially	Bhavna Bilimoria – Special Project Manager, Children &	To be determined	Draft Report issued – discussing management responses.

AUDIT	DAYS	PROPOSED COVERAGE	KEY CONTACT	PROPOSED TIMING	STATUS AS AT 16 FEBRUARY 2010
		feed into the provision of the required assurances.	Families		
AXIS Post Implementation (cash receipting system - previously Spectrum)	10	First part of the new system covering telephone and online payments is due to go live in March 2009. Full implementation due September 2009. Post Implementation audit focusing on the controls in place around user requirements; maintenance and support arrangements; security; interfaces; and the assessment of the benefits realised by the project.	Sarah Cardno – Exchequer Services Manager	Qtr 3	Final Report issued.
LAGAN Post Implementation (new CRM system)	10	Post Implementation audit focusing on the controls in place around user requirements; maintenance and support arrangements; security; interfaces; and the assessment of the benefits realised by the project.	Tom Lloyd – ITU Operations Manager	To be determined	Draft Report issued – awaiting management responses.
Windows Operating System	8	To focus on the controls in place around areas including system wide security; user access; remote access; network sharing; updates and patches; backup and recovery; and maintenance and support arrangements.	Tom Lloyd – ITU Operations Manager	Qtr 1	Final Report issued.
Business Continuity Planning (IT elements of corporate arrangements)	10	To focus on the IT elements of the corporate BCP arrangements. General internal audit work has been undertaken in relation to the development of BCP across the Council as part of both the 2007/08 and 2008/09 Plans, but coverage has not extended to IT. Recent IT audits have also identified further improvements as being necessary in respect of disaster recovery.	Tom Lloyd – ITU Operations Manager	Qtr 4	In Progress.

AUDIT	DAYS	PROPOSED COVERAGE	KEY CONTACT	PROPOSED TIMING	STATUS AS AT 16 FEBRUARY 2010
Non-Stop Gov	7	To focus on the support arrangements as concerns raised regarding these by the ITU Operations Manager.	Judith Young – Head of Policy, Information & Performance, Environment & Culture	Qtr 2	Draft Report issued – awaiting management responses.
IT Project Management	10 <i>(reduced to 0)</i>	To feed into the Once Council review being led by the Assistant Director of Regeneration on the management of Major Regeneration Programmes and Major Projects. Specific scope and approach still to be discussed with the Assistant Director of Regeneration and with the ITU Operations Manager. Work to be combined with the internal audit work on Project Management, as included within the main Plan.	Andy Donald – Assistant Director of Regeneration / Tom Lloyd – ITU Operations Manager	To be determined	See comments against Project Management in Table 1.
Pensions Application Audit	10	To focus on the controls in place around the Pensions application operated by the London Pensions Fund Authority in respect of the Council's pensions administration function. Specific areas of focus are likely to include access controls; data input controls; data processing controls; data output controls; data interfaces; management trails; backup and recovery; and maintenance and support arrangements.	Andrew Gray – Pensions Manager	Qtr 1	Final Report issued.
e-Recruitment Post Implementation	8	Post Implementation audit focusing on the controls in place around user requirements; maintenance and support arrangements; security; interfaces; and the assessment of	Simon Britton – Head of The People Centre	Qtr 3	Draft Report issued – discussing management responses.

AUDIT	DAYS	PROPOSED COVERAGE	KEY CONTACT	PROPOSED TIMING	STATUS AS AT 16 FEBRUARY 2010
		the benefits realised by the project.			
<b>IT Follow-Ups</b>	16	Completion of follow-up work on all recommendations raised and agreed as part of the 2008/09 IT Audit Plan, where the same audits are not being undertaken again as part of the 2009/10 IT Plan. Also, to follow-up on any further actions raised as part of the 2008/09 follow-up work as being necessary to fully implement recommendations from 2007/08 IT audits.	N/A – dependent upon each internal audit to be followed-up	Throughout the year	In Progress.
<b>TOTAL</b>	<b>146</b> <i>(reduced to 116)</i>				

### Table 3 – BHP Plan

This Plan has been formulated separately with the Financial Controller and Financial Operations Manager at BHP. The Plan will be presented separately to BHP's Audit & Finance Sub-Committee for agreement, but is presented here for Members' reference.

AUDIT	DAYS	PROPOSED COVERAGE	KEY CONTACT	PROPOSED TIMING	STATUS AS AT 16 FEBRUARY 2010
Housing Repairs & Maintenance	12	Annual systems audit focussing on key controls and any systems changes.	Gerry Doherty – Director of Technical Services	Qtr 3	Final Report issued.
Housing Rents	12	Annual systems audit focussing on key controls and any systems changes.	David Bishopp – Rent Accounting & Performance Manager	Qtr 3	Draft Report to be issued.
Repairs & Voids	10	To focus on the controls in place around repairs & voids, as implemented / revised following the implementation of the new Accuserve costing system. Specific areas of focus are likely to include identification of required works; costing of works; review of completed works; variations; and payments to operatives / sub-contractors.  The timing of this audit will coincide with the IT audit of the Accuserve application. The intention being to provide assurances on both the IT and non-IT controls at the same time so as to assist management with making any further improvements where necessary.	Gerry Doherty – Director of Technical Services	Qtr 3 (brought forward to Qtr 2)	Final Report issued.
Accuserve (Repairs & Voids) (IT Audit)	10	To focus on the Accuserve application. As above, the timing of this audit will coincide with the internal audit of the Repairs & Voids function as a whole. The intention being to provide assurances on both the IT	Gerry Doherty – Director of Technical Services	Qtr 3 (brought forward to Qtr 2)	Draft Report issued – awaiting management responses.


AUDIT	DAYS	PROPOSED COVERAGE	KEY CONTACT	PROPOSED TIMING	STATUS AS AT 16 FEBRUARY 2010
		and non-IT controls at the same time so as to assist management with making any further improvements where necessary.			
Internal Financial Controls	10	Annual audit focussing on key financial controls operating within BHP and the extent to which the Financial Regulations are being complied with. Specific areas of focus include the raising of invoices; receipt of income; debt recovery and write-off; payments; BACs and cheque controls; journals; and reconciliations.	Greg Trenear – Financial Controller	Qtr 4	In Progress.
Treasury Management	10	To focus on the controls in place around the treasury management function. Specific areas of focus are likely to include compliance with legislative requirements; recording of loans and investments; monitoring of cash flow; reconciliations; and reporting.	Greg Trenear – Financial Controller	Qtr 1	Final Report issued.
Business Continuity Planning	10	To focus on the controls in place around the specific business continuity arrangements for BHP (with the exception of IT, BHP has separate arrangements to those of the Council). Specific areas of focus are likely to include the identification of key activities and staff; the identification and assessment of the likelihood and impact of potential threats; the formulation of a business continuity strategy and business continuity plan; awareness and training; maintaining and exercising the plan; and public relations and crisis co-ordination.	Mike Dwyer – Director of Standards & Procurement	Qtr 1	Final Report issued.

AUDIT	DAYS	PROPOSED COVERAGE	KEY CONTACT	PROPOSED TIMING	STATUS AS AT 16 FEBRUARY 2010
Cleaning and Grounds Maintenance Contract Management (Contract Audit)	10	To focus on the controls in place around the management of the cleaning and grounds maintenance contracts.	Mike Dwyer – Director of Standards & Procurement	Qtr 2	Final Report issued.
Brentfield Estate Project (Contract Audit)	12 (reduced to 0)	To focus on the controls in place around the management of the Brentfield Estate Project. Specific areas of focus are likely to include financial control; selection of contractors and letting of the contract; appointment of consultants; tender receipt and evaluation; bonds/insurance; contract variations and provisional sums; valuations and estimations of final cost; liquidated damages; defect liability period; contractual claims; CDM regulations; and progress monitoring.	Gerry Doherty – Director of Technical Services / Sue DeSouza – Special Projects	To be determined	Audit removed from the Plan as being undertaken as part of additional Contract Audit work agreed separately with the Director of Finance for BHP. Days transferred to work on Risk Management (see below)
Risk Management	12 (added to the Plan, as above)	Work is being undertaken to assist the Director of Finance with further developing the risk management framework.	Gary Chase – Director of Finance	Qtr 2 and ongoing	Final Report issued.
Tenant Management Organisations	10 (increased to 25)	To focus on the controls in place around Tenant Management Organisations (TMOs). Specific areas of focus are likely to include governance; staffing; procurement; income; management of assets; and budgetary control.  Specific TMO to be agreed with the Head of Governance & Communications.	Linda Footer – Head of Governance & Communications	Qtr 2	Final Report re Watling Gardens Issued.  Kilburn Square – Draft Report issued. Awaiting Management Response.
Dom Doc – EDM System (IT Audit)	10	Dom Doc is the Electronic Document Management system used by frontline staff	Mike Dwyer – Director of	Qtr 1	Final Report issued.



AUDIT	DAYS	PROPOSED COVERAGE	KEY CONTACT	PROPOSED TIMING	STATUS AS AT 16 FEBRUARY 2010
		across BHP. Specific areas of focus are likely to include access controls; data input controls; data processing controls; data output controls; data interfaces; management trails; backup and recovery; and maintenance and support arrangements.	Standards & Procurement		
<b>Consultation, Communication, Reporting and Follow-Up</b>	12	To cover attendance by Internal Audit management at Audit Committee meetings and the production of progress reports for these. In addition, to cover managements' non-audit specific liaison and communication with officers during the course of the year, for example ongoing liaison regarding any necessary revisions to the Plan and communication of key issues arising from completed internal audit work.  In addition, completion of follow-up work on all recommendations raised and agreed as part of the 2008/09 BHP Internal Audit Plan, where the same audits are not being undertaken again as part of the 2009/10 Plan. Also, to follow-up on any further actions raised as part of the 2008/09 follow-up work as being necessary to fully implement recommendations from 2007/08 internal audits.	N/A	Throughout the year	In Progress.
<b>TOTAL</b>	<b>128</b> <i>(increased to 143</i>				

This page is intentionally left blank

	<p style="text-align: center;"><b>Audit Committee</b> 3<sup>rd</sup> March 2009</p> <p style="text-align: center;"><b>Report from the Director of Finance and Corporate Resources</b></p>
For Information	Wards Affected: ALL
<b>Internal Audit Plan for 2010/11</b>	

## 1. Summary

- 1.1. The purpose of this report is to advise the Audit Committee of the first draft of the proposed Internal Audit Plan for 2010/11. All Local Authorities are required to make proper provision for Internal Audit in line with the 1972 Local Government Act and the Accounts and Audit Regulations 2003<sup>1</sup> (as amended). The CIPFA Code of Practice on Internal Audit<sup>2</sup> in Local Government requires the proper planning of audit work.

## 2. Recommendation

- 2.1. The Audit Committee note the details and content of the report in its role as defined in the constitution: To consider the strategic and annual audit plans, and consider the level of assurance these can give over the Council's corporate governance and risk management arrangements.

## 3. Detail

- 3.1 The 2010/11 Audit Plan will be delivered through a partnership of the Council's in-house team and Deloitte & Touche Public Sector Internal Audit Ltd. The total plan days for 2010/11 are 1,196 of which 936 are allocated to Deloitte and 260 to the in-house team.

### 3.2 The report covers::

- How the total number of plan days has been determined;
- How the draft plan has been formulated; and
- How the plan will be monitored for ongoing relevance during the course of the year.

- 3.3 The Audit Committee should note that, at this stage, the process of formulating the plan is still in progress and hence the level of detail in certain areas is limited. The plan will be developed through March 2010 and a completed version will be presented to the next scheduled meeting of the Committee.

- 3.4 The plan is set out at Appendix A of the report. However, as indicated above, gaps do exist at this stage. Where possible an indication as to the proposed coverage for each individual audit has been provided. Members should note that these are summary level scopes only.
- 3.5 The plan itself will be subject to change during the course of the year, so as to ensure its ongoing relevance in light of any new or emerging risk areas, and also connected to the wide range of developments taking place across the Council. Any significant revisions will be communicated to Members at scheduled Committee meetings.
- 3.6 Members should note that, whilst the Internal Audit Plan for Brent Housing Partnership (BHP) forms part of the total plan days for the Council, this will be separately presented to BHP's Audit & Finance Sub-Committee.

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

- 4.1 None specific from the consideration of the report.

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

- 5.1 The Accounts and Audit Regulations 2003 (as amended) requires that the Council has a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk. Production of an annual audit plan is part of the overall internal control process.

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

- 6.1 The proposals in this report have been subject to screening and officers believe that there are no diversity implications arising from it.

#### **7. Staffing/Accommodation Implications**

- 7.1. None.

#### **8. Background Papers**

1. The Accounts & Audit Regulations 2003 (as amended)
2. CIPFA Code of Practice for Internal Audit in Local Government

#### **9. Contact Officer Details**

Simon Lane, Head of Audit and Investigations, Town Hall Annexe.  
Telephone – 020 8937 1260

**DUNCAN McLEOD**

**Director of Finance and Corporate Resources**

**Internal Audit**  
**2010/11 Internal Audit Plan**  
**London Borough of Brent**  
**March 2010**



## **Contents**

## **Page No**

Executive Summary	1
Appendix A – Detailed Plan	7
Appendix B – Audit Team and Contact Details	18

## Executive Summary

### Introduction

This report sets out the first draft of the proposed Internal Audit Plan for the 2010/11 financial year. It should be noted that, at this stage, the process of formulating the Plan is still in progress and hence the level of detail in certain areas is currently limited.

As per the previous two financial years, the Plan will continue to be delivered through a partnership of the Council's in-house team and Deloitte & Touche Public Sector Internal Audit Ltd.

**Total Plan Days**

The Plan is based on a total of 1,196 days, the breakdown of this being shown in the table on the following page.

It should be noted that this includes a total of 44 Deloitte and 10 In-House days carried forward from the 2009/10 Plan. As detailed in the separate Progress Report, these relate to the audit and FMSiS assessment for two secondary (Foundation) schools and work in relation to the Adult Social Care Transformation Programme. It is anticipated that the three audits will be undertaken in the first quarter of 2010/11.

<b>Source</b>	<b>2010/11 Number of Days</b>	<b>2009/10 Number of Days</b>
In-House Team	250	250
Deloitte (original contract days for 2010/11)	702	726
Deloitte (additional annual days as per variation order)	190	190
Carried forward days from 2009/10 – Deloitte days	44	35
Carried forward days from 2009/10 – Internal Audit	10	10
<b>Total</b>	<b>1,196</b>	<b>1,211</b>



## Formulating the Plan

A number of factors have been taken into account in formulating the Plan. These include the following:

- Inclusion of any key financial systems judged to require completion on an annual basis in order to inform the work of External Audit;
- Consideration of key risk areas across the Council, as determined through Internal Audit's own assessment of risk, as well as liaison with Directors and Assistant Directors across the Service Areas;
- Consideration of key projects and developments taking place across the Council. This includes, but is not necessarily limited to: capital projects and the One Council Improvement & Efficiency programme (this is discussed in more detail on page 6);
- Consideration of areas of known weakness, as determined through previous internal audit work or through past instances of fraud dealt with by the Investigations Team; and
- Inclusion of days needed to complete audits and FMSiS (Financial Management Standard in Schools) re-assessments across the secondary (Foundation) schools.

The breakdown of the total days is shown in the table below. For comparison purposes, 2009/10 figures are also shown.

Service Area	2010/11 Days	2009/10 Days
Cross Council Audits	65	70
Finance & Corporate Resources	100	108
Children & Families		
Departmental	50	110
School Audits/FMSiS	130	110
Environment & Culture	90	107
Housing & Community Care		
Housing	50	55
Adult Social Care	100	111
Business Transformation		
Departmental	30	60
Information Technology	150	146

Policy & Regeneration	40	45
Communication & Diversity	-	10
Borough Solicitor	-	12
One Council	120	-
Brent Housing Partnership	140	128
Follow-Up	40	40
Deloitte Contract Management	80	85
Contingency	11	14
Total	1,196	1,211

Directors and Assistant Directors have been consulted on the plan via Departmental Management Team meetings and individual meetings with the Director of Policy & Regeneration and Director of Finance & Corporate Resources in respect of the One Council Improvement & Efficiency Programme; ITU Operations Manager in relation to the IT Plan; and Acting Chief Executive, Director of Finance, Financial Controller and Financial Operations Manager in relation to the Brent Housing Partnership (BHP) Plan.

A meeting will also be held with the Audit Commission to confirm that their requirements are met through the audits proposed and to ensure no duplication of coverage.

### Types of Work

Internal Audit comprises a range of specialist skills, the three key areas of coverage being the following:

- General risk based systems audit / compliance based audit;
- IT audit; and
- Contract audit.

A significant proportion of the Plan is allocated to risk based systems audits and also to compliance based audits in the form of school audits and FMSiS assessments. A total of 150 days are allocated to IT audits and a number of contract audits.

IT audit work can take a variety of forms, although key areas include audits of specific IT applications; audits of key elements of the IT infrastructure; and audits relating to the implementation of new applications, either at the pre or post implementation stages.

Contract audit work also varies in form, although generally focuses either on the controls in place around

	<p>the management and administration of construction based projects; the tendering of projects / contracts; or on the controls in place around the management of a contractual relationship.</p> <p>There is also a key role for Internal Audit in assisting management to assess the risks involved in new developments / new projects / new ways of working, helping to determine an adequate system of controls at the design and implementation stage, as opposed to highlighting deficiencies at a later stage when it may be more difficult / costly to address weaknesses. Similarly, it may be appropriate for Internal Audit to provide assurances on the adequacy and effectiveness of controls in place around the management of a specific project, thereby assisting management to deliver these on time and to budget, as well as to achieve the desired outcome.</p> <p>There are a number of examples of such 'non-standard' work having been undertaken as part of the 2008/09 and 2009/10 Plans and there will be an increasing role for such an approach in connection with the One Council Improvement &amp; Efficiency Programme. Further details regarding this are set out below.</p>
<p><b>Coverage in relation to the One Council Improvement &amp; Efficiency Programme</b></p>	<p>From an audit planning perspective, the importance of flexibility and regular review is likely to be more important than ever in 2010/11, given the scale of work and change relating to the One Council Improvement &amp; Efficiency Programme.</p> <p>At this stage, 120 days are included within the Plan for internal audit input specifically relating to this programme. In addition, specific audits have been identified within two of the Service Areas, namely the Civic Centre and the Adult Social Care Transformation Programme, both of which are Gold Projects within the overall Programme.</p> <p>The intention is to meet with the Director of Policy &amp; Regeneration and the Director of Finance &amp; Corporate Resources, to discuss and agree the most appropriate areas of involvement and the specific approach to be applied. An approach has already been agreed with regards to the Finance Modernisation project, and work has begun on this as part of the 2009/10 Plan. Further input in respect of this project is expected for 2010/11 and will form part of the 120 day allocation. It is also expected that the approach agreed for this project can be seen as a 'model' to be applied to the other projects where input is deemed appropriate.</p>

<b>West London Framework</b>	<p>The Heads of Internal Audit from the original three boroughs making up the West London Framework, together with the recently joined Royal Borough of Kensington &amp; Chelsea, have continued to meet with Deloitte on a regular basis via the Contract Compliance Board (CCB). These meetings are used to discuss general progress as well as to consider specific areas in which cross borough work may be valuable and areas in which joint improvements can be made.</p> <p>The Committee will be updated on any specific developments in future meetings where these impact upon the Plan.</p>
<b>Ensuring the ongoing relevance of the Plan</b>	<p>It is crucial that the Plan is reviewed on a regular basis during the course of the year so as to ensure that it remains relevant in terms of the key risk areas and any new developments that take place across the Council. This is considered to be particularly key for 2010/11, given the One Council work taking place.</p> <p>Internal Audit will continue to liaise with Directors, Assistant Directors and the Audit Commission during the course of the year so as to determine whether any amendments are required, and will update Members at scheduled Committee meetings where any significant revisions occur.</p>

## Appendix A – Detailed Plan

The proposed Internal Audit Plan for 2010/11 is set out below. Where possible, we have included the proposed number of days against each audit, together with a high level indication of the proposed coverage, the key contact, and an indication of the proposed timing where this is known at this stage.

The IT Plan and the BHP Plan are currently being formulated and hence only the total number of days being allocated to each of these has been noted within the overall Plan.

### Overall Plan

AUDIT	DAYS	PROPOSED COVERAGE	KEY CONTACT	PROPOSED TIMING
<b>CROSS COUNCIL AUDITS (70 Days)</b>				
Conflicts of Interest	10	To focus on the controls in place with regards to ensuring that officers and Members avoid any conflicts of interest in their respective roles and responsibilities. Specifically, the controls for ensuring that officers and Members declare any interests / gifts & hospitality; that gifts & hospitality are only accepted in line with Council policy; and that appropriate follow-up actions are taken to ensure that any officers or Members declaring interests / gifts & hospitality are operating in an appropriate manner.	To be determined	Qtr 2
Service Planning and Performance Management	20	To focus on the controls in place across the Council with regards to the formulation of service plans and the performance management arrangements surrounding	To be determined	Qtr 2

AUDIT	DAYS	PROPOSED COVERAGE	KEY CONTACT	PROPOSED TIMING
		<p>the delivery of these. Specifically, the controls in place around ensuring that service priorities are in line with the Corporate Strategy; that service priorities meet the needs of the borough's residents and other key stakeholders; that service priorities are realistic and achievable from a funding and resource perspective; and that agreed service priorities are delivered/achieved in a full and timely manner.</p> <p>It should be noted that the performance management aspects of this audit will only be covered at a high level and will focus on the controls in place around monitoring the achievement of the primary level service priorities across the Service Areas, including the arrangements for reporting and corrective actions where appropriate.</p>		
Business Continuity Planning	10	Business Continuity Planning (BCP) was previously audited in 2007/08 and 2008/09, following the inception of the BCP project in February 2007. This audit will now check on the further developments that have taken place, assessing the extent to which the arrangements have been embedded across the Council.	Martyn Horne – Head of Emergency Planning	Qtr 3
CRC Energy Efficiency Scheme	15	To focus on the controls in place around the gathering, compilation and validation of required data as part of the submission of the 'year 1' figures to the Environment Agency (EA).	Duncan McLeod – Director of Finance & Corporate Resources	Qtr 1/2

AUDIT	DAYS	PROPOSED COVERAGE	KEY CONTACT	PROPOSED TIMING
		In addition, we will check on progress against the Action Plan being agreed as part of the 2009/10 work in this area, as well as assessing the apparent adequacy of the evidence pack compiled to support the figures reported (although this would provide no guarantee as to the outcome should the Council be selected for an audit by the EA). The specific timing is to be determined, but should fall within the reporting window of 1 April to 30 September 2010.		
Annual Governance Statement	15	Formulation of the Annual Governance Statement through the co-ordination of the completion of the Certificates of Assurance by Directors and the annual review of the Council's Corporate Governance Action Plan.	Simon Lane – Head of Audit & Investigations / Directors	Qtr 4
<b>FINANCE &amp; CORPORATE RESOURCES (100 Days)</b>				
Council Tax	15	Annual systems audit focussing on key controls and any systems changes.	Paula Buckley – Head of Client Team – Revenue & Benefits	Qtr 3
NNDR	15	Annual systems audit focussing on key controls and any systems changes.	Paula Buckley – Head of Client Team – Revenue & Benefits	Qtr 3
Housing & Council Tax Benefits	15	Annual systems audit focussing on key controls and any systems changes.	David Oates – Head of Benefits – Revenue & Benefits	Qtr 3
Treasury Management	10	Annual systems audit focussing on key	Martin Spriggs – Head of	Qtr 1

AUDIT	DAYS	PROPOSED COVERAGE	KEY CONTACT	PROPOSED TIMING
		controls and any systems changes.	Exchequer & Investment	
Debt Management	10	This audit follows on from our initial work undertaken in 2009/10 to assess the adequacy of the controls being designed and placed into operation by the new corporate Sundry Debt Recovery Team (SDRT). This audit will check on the extent to which the control processes have been further developed, in line with the action plan agreed as part of the 2009/10 work. Adequacy will be reassessed and the effectiveness of controls evaluated.	Sarah Cardno – Exchequer Services Manager	Qtr 2
Capital Budgeting	10	To focus on the controls in place around the setting and management of the budget for the overall capital programme and specific projects within it.	Paul May	2
<b>Further audits to be determined</b>	<b>25</b>			
<b>CHILDREN &amp; FAMILIES (180 Days)</b>				
Audits and FMSiS Assessments – Secondary (Foundation) Schools	88	Completion of joint audits and FMSiS assessments for the remaining seven secondary (Foundation) schools. Allocation of days includes time for liaising with Education Finance with regards to any issues arising from the work during the course of the year.	Bharat Jashapara – Head of Finance – Children & Families	Across the year
FMSiS Re-assessments for primary schools that failed in 2009/10	12	Completion of re-assessments for the schools (currently three) that have failed their FMSiS assessment in 2009/10.	Bharat Jashapara – Head of Finance – Children & Families	Across the year



AUDIT	DAYS	PROPOSED COVERAGE	KEY CONTACT	PROPOSED TIMING
Schools Thematic Work	30	<p>To focus on specific themes and visit a sample of schools to either assess compliance with the requirements of the Financial Regulations for Schools, or to assess the adequacy and effectiveness of controls in respect of fraud and non-fraud risks in that area.</p> <p>Specific themes have yet to be determined, but will be derived from an analysis of key areas of weakness identified across the schools in recent years, including through the audits to be undertaken with the Foundation schools in 2010/11.</p> <p>Thematic work was previously undertaken in 2008/09, focussing on Procurement and compliance with the Financial Regulations for Schools.</p>	Bharat Jashapara – Head of Finance – Children & Families	Qtr 3
Building Schools for the Future (Contract Audit)	15	<p>To focus on the controls in place around the management of the overall Building Schools for the Future (BSF) programme, potentially also looking at specific projects within this.</p> <p>Contract audit work has previously been undertaken in relation to a number of schools capital projects, including the construction of the Ark Academy.</p>	Mustafa Salih – Assistance Director, Finance & Performance	To be determined
<b>Further audits to be determined</b>	<b>35</b>			
<b>ENVIRONMENT &amp; CULTURE (90 Days)</b>				
Parking	20	The specific area of focus is still to be	Irfan Malik – Assistant	Qtr 1/2

AUDIT	DAYS	PROPOSED COVERAGE	KEY CONTACT	PROPOSED TIMING
		<p>determined with the Assistant Director, Streets &amp; Transportation.</p> <p>Potential areas include parking enforcement; on/off street meters; parking permits; and management of the parking enforcement contract.</p> <p>The number of days allocated may be adjusted depending on the agreed area of focus.</p>	Director, Streets & Transportation	
Libraries	15	To focus on the systems of control in place following the recent restructuring of the Library Service, including the controls in place to ensure compliance across individual libraries.	Sue Harper – Assistant Director, Leisure & Regeneration	Qtr 3
Licensing	15	<p>To focus on the controls in place around the award of licenses; monitoring compliance with license conditions; enforcement actions; income collection; and budget monitoring.</p> <p>The range of licenses to be focused on is still to be determined.</p>	Geoff Galilee – Service Unit Director, Health, Safety & Licensing	Qtr 1
Traffic Management	10	<p>This audit follows on from our initial work undertaken in 2009/10 around the preparedness of the Council in relation to the implementation of the London operational Permit Scheme (LoPS).</p> <p>This audit will check on the extent to which the control processes have been further developed, in line with the action plan agreed as part of the 2009/10 work. Adequacy will be reassessed and the effectiveness of controls evaluated.</p>	Ifan Malik – Assistant Director, Streets & Transportation	Qtr 2

AUDIT	DAYS	PROPOSED COVERAGE	KEY CONTACT	PROPOSED TIMING
<i>Further audits to be determined</i>	<b>30</b>			
<b>HOUSING (50 Days)</b>				
<i>Audits to be determined</i>	<b>50</b>			
<b>COMMUNITY CARE (100 Days)</b>				
Transformation – Self Directed Support / Direct Payments	20	To focus on the progress made in the development and implementation of the systems of control in respect of Self Directed Support.  This area was previously audited as part of the 2008/09 Plan and this further work has been postponed from 2009/10.  The work will also include a follow-up of the work that was undertaken around Direct Payments in 2008/09.	Lance Douglas – Assistant Director, Quality & Support	Qtr 1
Transformation – <i>other workstreams to be determined</i>	15	The Reablement workstream has also been looked at as part of the 2009/10 Plan and, from discussions with the Assistance Director, Quality & Support, it is anticipated that further work would be of value later in 2010/11.  Specific workstream(s) to be focussed on is to be determined as the Transformation Programme progresses during the course of the year.	Lance Douglas – Assistant Director, Quality & Support	To be determined
Establishments Thematic Work	15	To focus on specific themes and visit a sample of establishments to either assess	Keith Skerman – Acting Assistant Director,	To be determined





AUDIT	DAYS	PROPOSED COVERAGE	KEY CONTACT	PROPOSED TIMING
		<p>compliance with the requirements of the Financial Regulations, or to assess the adequacy and effectiveness of controls in respect of fraud and non-fraud risks in that area.</p> <p>Specific themes have yet to be determined, but will be derived from an analysis of key areas of weakness identified across the establishments in recent years.</p> <p>This work will follow on from our establishments work in 2009/10 which has involved producing a summary report of the key areas of weakness, together with added guidance around how the controls that should be in place to address these. This has been supported by a workshop run with managers and finance officers from across a number of Adult Social Care establishments.</p>	Community Care	
<b>Further audits to be determined</b>	<b>50</b>			
<b>BUSINESS TRANSFORMATION (180 Days)</b>				
IT	150	Computer Audit Needs Assessment currently in progress, from which the detailed Plan will be determined.	-	-
Payroll	15	Annual systems audit focussing on key controls and any systems changes.	Simon Britton – Head of The People Centre	Qtr 3
Civic Centre (Contract Audit)	15	To focus on the controls in place over the management of the project for constructing the new Civic Centre.	Aktar Choudhary – Assistant Director, Business Transformation	To be determined

AUDIT	DAYS	PROPOSED COVERAGE	KEY CONTACT	PROPOSED TIMING
		Initial audit work has been undertaken as part of the 2009/10 Plan and the intention, as with other large capital projects, is for us to undertake stage audits through until completion of the project.		
<b>ONE COUNCIL IMPROVEMENT &amp; EFFICIENCY PROGRAMME (120 Days)</b>				
<i>Specific involvement / coverage to be determined</i>	<b>120</b>			
<b>POLICY &amp; REGENERATION (35 Days)</b>				
<i>Audits to be determined</i>	<b>35</b>			
<b>COMMUNICATION &amp; DIVERSITY (0 Days)</b>				
<i>No audits proposed at this stage</i>	<b>0</b>			
<b>Borough Solicitor (0 Days)</b>				
<i>No audits proposed at this stage</i>	<b>0</b>			
<b>OTHER</b>				
<b>Brent Housing Partnership (BHP)</b>	150	The detailed Plan is being formulated in conjunction with BHP's acting Chief Executive, the Director of Finance, Financial Controller and Financial Operations Manager. The Plan will be subject to approval from	-	-

AUDIT	DAYS	PROPOSED COVERAGE	KEY CONTACT	PROPOSED TIMING
		BHP's Audit & Finance Sub-Committee. The total number of days has increased slightly to take account of BHP's expanded role since the purchase of the new properties on the Brentfield Estate.		
<b>Consultation, Communication and Reporting (Deloitte)</b>	80	To cover attendance by Deloitte management at meetings across the Council, for example Strategic Finance Group, Schools Causing Financial Concern, and Audit & Investigations Management meetings. Also to cover Deloitte management attendance at Audit Committee meetings and the production of progress reports for these. In addition, to cover Deloitte managements' non-audit specific liaison and communication with officers across the Council on a day-to-day basis and with the Council's external auditors, the Audit Commission. For example, ongoing liaison with Directors and Assistant Directors regarding any necessary revisions to the Plan and communication of key issues arising from completed internal audit work, and liaison with the Audit Commission regarding their review of completed internal audit work.	N/A	Throughout the year
<b>Follow-Up</b>	40	Completion of follow-up work as part of the rolling follow-up programme, into which all recommendations raised are added.	N/A – dependent upon each internal audit to be followed-up	Throughout the year

AUDIT	DAYS	PROPOSED COVERAGE	KEY CONTACT	PROPOSED TIMING
<b>Contingency</b>	11	<p>To be allocated to any new developments or new / emerging risk areas during the course of the year.</p> <p>The number of days assigned to contingency is relatively low given the overall size of the Plan. However, based on previous years, this is likely to grow during the course of the year due to audits needing to be postponed due to delays in projects / new developments being fully implemented. In the event that additional work is required for which insufficient contingency days are available, a decision will be made on whether other lower risk audits can be deferred until 2010/11.</p>	N/A – dependent upon work required	N/A – dependent upon work required
<b>TOTAL</b>	<b>1,196</b>			

## Appendix B – Audit Team and Contact Details

London Borough of Brent	Contact Details
Simon Lane – Head of Audit & Investigations	 <a href="mailto:simon.lane@brent.gov.uk">simon.lane@brent.gov.uk</a>
Aina Uduehi – Audit Manager	 020 8937 1260
	 <a href="mailto:aina.uduehi@brent.gov.uk">aina.uduehi@brent.gov.uk</a>  020 8937 1495

Deloitte & Touche Public Sector Internal Audit Limited	Contact Details
Richard Evans – General Manager	 <a href="mailto:phil.lawson@brent.gov.uk">phil.lawson@brent.gov.uk</a>
Phil Lawson – Senior Audit Manager	 020 8937 1493
Shahab Hussein – Senior Computer Audit Manager	