

Progress report

December 2011 (as at 2 December 2011)

London Borough of Brent

Audit 2010/11

The Audit Commission is a public corporation set up in 1983 to protect the public purse.

The Commission appoints auditors to councils, NHS bodies (excluding NHS Foundation trusts), police authorities and other local public services in England, and oversees their work. The auditors we appoint are either Audit Commission employees (our in-house Audit Practice) or one of the private audit firms. Our Audit Practice also audits NHS foundation trusts under separate arrangements.

We also help public bodies manage the financial challenges they face by providing authoritative, unbiased, evidence-based analysis and advice.

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Audit progress

Audit plan 2010/11

1 The purpose of this progress report is to inform the Audit Committee of progress against the 2010/11 audit plan, which is now complete with the exception of our review of the Council's Whole of Government Accounts (WGA) consolidation pack. We hope to certify the Council's pack by 15 December. However, at the time of writing, the Council has not provided this pack for audit.

Forward plan for the audit

2 Appendix 3 sets out a draft forward plan and a schedule of reports I will present to the Audit Committee over the course of the coming year and my suggestions for items the Audit Committee should consider with regard to the external audit of the Council.

Recent Audit Commission reports

3 The Audit Commission publishes independent reports which highlight risks and good practice to improve the quality of financial management in local government and the health service and encourage continual improvement in public. Some of the recent reports are summarised in Appendix 2 and are also available on the Audit Commission website at: <http://www.audit-commission.gov.uk/Pages/default.aspx>

Contact details

4 If you would like further information on any items in this briefing, please feel free to contact me or Paul Viljoen, your Audit Manager.

5 Alternatively, all Audit Commission reports - and a wealth of other material - can be found on our website: www.audit-commission.gov.uk.

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Appendix 1 External Audit Position Statement

Table 1: **2010/11 audit progress**

Item	Issue date	Status	Officer contact
Audit fee letter	June 2010	Final	Chief Executive
Opinion audit plan	Feb 2011	Final	Director of Finance
Interim audit memorandum (progress report)	Jun 2011	Final	Director of Finance
Annual governance report	Nov 2011	Final	Director of Finance
Opinion on the financial statements	Nov 2011	Final	Director of Finance
Value for money conclusion	Nov 2011	Final	Chief Executive and Director of Finance
Annual audit letter	Nov 2011	Final	Chief Executive and Director of Finance

Appendix 2 Recent Audit Commission Reports

Joining up health and social care - improving value for money across the interface (1 December 2011)

'Joining Up Health and Social Care - Improving Value for Money Across the Interface' is the second in the Audit Commission's series of briefings looking at adult social care.

At a time when the whole of the public sector must find significant savings, the report says that integrated working across health and social care offers opportunities for efficiencies and improvements to services. Without it, there is a risk of duplication and 'cost-shunting' where savings made by one organisation or sector create costs for others. And a lack of integrated working means that people are less likely to receive the best care.

But the briefing also finds that the NHS and councils have made patchy progress in improving this joint working across health and social care.

The briefing offers guidance to local partnerships, setting out a list of questions to consider, and suggestions for interventions that might help. Case studies show how some areas have embraced partnership working and used local data and benchmarking to establish how and where to make improvements.

NHS and social care partnerships can benchmark their performance against others by using the tool that accompanies the briefing.

A copy of the Audit Commission's 'Joining Up Health and Social Care' report can be found at <http://www.audit-commission.gov.uk/nationalstudies/localgov/Pages/joininguphealthandsocialcare.aspx>

Tough times - councils' responses to a challenging financial climate (17 November 2011)

'Tough Times' is a new report looking at councils' responses to a challenging financial climate. The report contains new Audit Commission analysis of revenue account (RA) data provided by councils to the Department for Communities and Local Government (DCLG). It also summarises the findings of a survey of all local government auditors which gathered their emerging views on the impact of falls in government support and councils' responses as they prepared their plans for 2011/12.

The report looks at the impact on councils of:

- a real terms reduction of £3.5 billion in government funding; and
- a £1.2 billion fall in local income from council tax and fees and charges.

The report recommends that councils use the Audit Commission's [Value for Money profiles](#) to see how their council compares to the national picture set out in this report, identify councils facing similar challenges, and learn from others' approaches.

A copy of the Audit Commission's 'Tough Times' report can be found at <http://www.audit-commission.gov.uk/nationalstudies/localgov/Pages/toughtimes.aspx>

Further communication with audited bodies on the procurement of audit services (10 November 2011)

The Audit Commission wrote to all audited bodies on 3 August 2011 and 21 September 2011 on the procurement of audit services. On 10 November 2011, the Audit Commission wrote to audited bodies with a further update on the progress of the procurement and next steps. A copy of the letter is set out below.

10 November 2011

Dear Colleague

Update on the procurement of audit services

On 21 September, I wrote to update you on the progress of the current procurement exercise to outsource the work of the Commission's in-house audit practice and to provide further details of the timetable.

We have now reached another significant milestone in the process, having issued Invitations to Tender (ITT) for the principal bodies' procurement to 13 potential providers.

We have published a copy of the ITT on our website. The bidders invited to submit tenders are:

- BDO LLP
- DA Partnership Ltd
- Deloitte LLP
- Ernst & Young LLP
- Grant Thornton (UK) LLP
- consortium led by Haines Watts
- KPMG LLP
- Menzies LLP
- consortium led by MHA Audit LLP
- consortium led by Moore Stephens LLP

- PKF (UK) LLP
- pwc LLP
- RSM Tenon Audit Ltd.

In accordance with the published timetable, potential suppliers have until 16 December to submit tenders.

The process has three key stages:

- making decisions about the award of contracts;
- determining the length of contracts; and
- appointing auditors to individual bodies.

The arrangements for each stage are set out below.

Award of contracts

The Audit Commission is running the procurement process, and all key decisions relating to it are being taken by the Commission Board. The Board has appointed a Procurement Panel, a sub-committee of the Board, comprising Board members with a range of skills and experience of the different sectors, to oversee the procurement in more detail, and to make recommendations to the Board as to the award of contracts following the evaluation. This Procurement Panel includes an independent member, Mike More, the Chief Executive of Westminster City Council.

The outsourcing strategy is based on 10 contract lots covering local government, NHS, police and other local public bodies – over 650 in total – in different parts of the country. The bids for each lot will be assessed on the qualitative and financial criteria set out in the ITT. Those are the only factors that will determine a contract award.

As the Commission has determined that TUPE applies to the outsourcing process, the majority of the Commission's Audit Practice staff will transfer to the successful bidders in each area at the end of October 2012.

Contract length

The decision whether to award contracts for three or five years is about value for money, but is also linked to the government's timetable for the introduction of, and transition to, new local public audit arrangements, and for the disbandment of the Commission. The government has indicated that it wants to talk to the different sectors about the trade-off between the value for money of awarding three or five year contracts and the benefits of the proposed new public audit arrangements, once we have a better sense of the difference that the outcome of the procurement makes to audit fees from 2012/13.

Auditor appointment

The Commission has a statutory duty to consult local government audited bodies on the appointment of the auditor. We will also consult NHS bodies. Consultation with all audited bodies on appointments from 2012/13 onwards will take place after the contracts have been awarded. We have allocated sufficient time within the process to allow for meaningful consultation.

Where a body is currently audited by the Commission's Audit Practice, we will propose the winning firm in each contract area as the appointed auditor, unless there are good reasons that prevent this. Our contract strategy ensures the Commission will have the option of appointing a different firm to an audited body should this be necessary.

Where a body is currently audited by a firm, we do not expect to have to change the appointment from 2012/13. However, we must wait until the procurement is completed before we can confirm the national picture on auditor appointments.

We plan to set out early in the new year how we will go about the consultation process and specify the grounds on which we will consider representations from audited bodies about proposed auditor appointments. The new auditor appointments for 2012/13 will take effect from 1 September 2012. We are putting in arrangements to ensure a smooth handover to the incoming auditor.

Next Steps

We will keep you updated on the progress of the procurement and the associated developments. I will write to you again early in the new year, setting out the process we propose to follow in consulting on 2012/13 auditor appointments. If you wish to clarify any of the points in this letter or ask other questions about the content, please email: audit-appointments@audit-commission.gov.uk or contact Marcine Waterman or Andrew Davies on 0844 798 2447.

Yours sincerely

Eugene Sullivan
Chief Executive

Protecting the public purse - fighting fraud against local government (10 November 2011)

The Audit Commission's report 'Protecting the Public Purse 2011: Fighting Fraud Against Local Government', describes what has happened since 2010 and sets out the findings from the Commission's recent fraud survey. England's councils have succeeded in detecting £185 million worth of fraud, an improvement of 37 per cent on last year's figure of £135 million. This is equivalent to a year's funding for around 700 libraries or the wages of up to 11,000 care workers. Also, councils recovered nearly 1,800 homes from tenancy fraudsters. To build those homes from new would have cost the public purse over £265 million.

The Commission identifies emerging risks such as fraudulent student council tax discount claims and fraud against social care payments to the elderly and vulnerable. The Commission urges local councils and related bodies to focus on and tackle them, and improve their counter-fraud defences. An updated checklist is available that gives organisations another opportunity to consider how effective they are at responding to the risk of fraud. A copy of the checklist is attached below on page 11.

Also available is a single person discount comparator tool that allows local authorities to compare their levels of council tax single person discount with their predicted levels, based on a national average.

A copy of the Audit Commission's 'Protecting the Public Purse' report 2011 can be found at http://www.audit-commission.gov.uk/localgov/nationalstudies/Pages/ppp2011_copy.aspx

Fraud - checklist for those responsible for governance

Checklist

General		Yes	No
1	Do we have a zero-tolerance policy towards fraud?	<input type="radio"/>	<input type="radio"/>
Comments			
2	Do we have the right approach, and effective counter-fraud strategies, policies and plans? Have we aligned our strategy with <i>Fighting Fraud Locally</i> ?	<input type="radio"/>	<input type="radio"/>
Comments			
3	Do we have dedicated counter-fraud staff?	<input type="radio"/>	<input type="radio"/>
Comments			
4	Do counter-fraud staff review all the work of our organisation?	<input type="radio"/>	<input type="radio"/>
Comments			
5	Do we receive regular reports on how well we are tackling fraud risks, carrying out plans and delivering outcomes?	<input type="radio"/>	<input type="radio"/>
Comments			

General	Yes	No
6 Have we assessed our management of counter-fraud work against good practice?	<input type="radio"/>	<input type="radio"/>
Comments		
7 Do we raise awareness of fraud risks?		
a. With new staff (including agency staff)?	<input type="radio"/>	<input type="radio"/>
b. With existing staff?	<input type="radio"/>	<input type="radio"/>
c. With elected members?	<input type="radio"/>	<input type="radio"/>
d. With our contractors?	<input type="radio"/>	<input type="radio"/>
Comments		
8 Do we work well with national, regional and local networks and partnerships to ensure we know about current fraud risks and issues?	<input type="radio"/>	<input type="radio"/>
Comments		
9 Do we work well with other organisations to ensure we effectively share knowledge and data about fraud and fraudsters?	<input type="radio"/>	<input type="radio"/>
Comments		

General	Yes	No
10 Do we identify areas where our internal controls may not be performing as well as intended? How quickly do we then take action?	<input type="radio"/>	<input type="radio"/>
Comments		
11 Do we maximise the benefit of our participation in the Audit Commission National Fraud Initiative and receive reports on the matches investigated?	<input type="radio"/>	<input type="radio"/>
Comments		
12 Do we have arrangements in place that encourage our staff to raise their concerns about money laundering?	<input type="radio"/>	<input type="radio"/>
Comments		
13 Do we have effective whistleblowing arrangements?	<input type="radio"/>	<input type="radio"/>
Comments		
14 Do we have effective fidelity insurance arrangements?	<input type="radio"/>	<input type="radio"/>
Comments		

Fighting fraud with reduced resources		Yes	No
15 Have we reassessed our fraud risks since the change in the financial climate?		<input type="radio"/>	<input type="radio"/>
Comments			
16 Have we amended our counter-fraud action plan as a result?		<input type="radio"/>	<input type="radio"/>
Comments			
17 Have we reallocated staff as a result?		<input type="radio"/>	<input type="radio"/>
Comments			

Current risks and Issues		Yes	No
Housing tenancy			
18 Do we take proper action to ensure that we only allocate social housing to those who are eligible?		<input type="radio"/>	<input type="radio"/>
Comments			
19 Do we ensure that social housing is occupied by those to whom it is allocated?		<input type="radio"/>	<input type="radio"/>
Comments			

Current risks and Issues	Yes	No
Procurement		
20 Are we satisfied our procurement controls are working as intended?	<input type="radio"/>	<input type="radio"/>
Comments 		
21 Have we reviewed our contract-letting procedures since the investigations by the Office of Fair Trading into cartels and compared them with best practice?	<input type="radio"/>	<input type="radio"/>
Comments 		
Recruitment		
22 Are we satisfied our recruitment procedures achieve the following?		
a. Do they prevent us employing people working under false identities?	<input type="radio"/>	<input type="radio"/>
b. Do they confirm employment references effectively?	<input type="radio"/>	<input type="radio"/>
c. Do they ensure applicants are eligible to work in the UK?	<input type="radio"/>	<input type="radio"/>
d. Do they require agencies supplying us with staff to undertake the checks that we require?	<input type="radio"/>	<input type="radio"/>
Comments 		

Current risks and Issues	Yes	No
Personal budgets		
23 Where we are expanding the use of personal budgets for adult social care, in particular direct payments, have we introduced proper safeguarding proportionate to risk and in line with recommended good practice?	<input type="radio"/>	<input type="radio"/>
Comments 		
24 Have we updated our whistleblowing arrangements, for both staff and citizens, so that they may raise concerns about the financial abuse of personal budgets?	<input type="radio"/>	<input type="radio"/>
Comments 		
Council tax		
25 Are we effectively controlling the discounts and allowances we give to council taxpayers?	<input type="radio"/>	<input type="radio"/>
Comments 		

Current risks and issues	Yes	No
Housing and council tax benefits		
26 When we tackle housing and council tax benefit fraud do we make full use of the following?		
a. National Fraud Initiative?	<input type="radio"/>	<input type="radio"/>
b. Department for Work and Pensions Housing Benefit matching service?	<input type="radio"/>	<input type="radio"/>
c. Internal data matching?	<input type="radio"/>	<input type="radio"/>
d. Private sector data matching?	<input type="radio"/>	<input type="radio"/>
Comments <div></div>		

Appendix 3 Forward plan for Audit Committee meetings

Table 2: **Audit Committee forward plan**

Committee date	Audit Commission	Audit Committee
December 2011	Progress report Revised Annual Governance Reports Annual Audit Letter	Progress/response to recommendations
February 2012	Progress report Grants certification report Opinion audit plan for 2011/12 ISA compliance letter	Progress/response to recommendations
June 2012	Progress report, including report on the 2011/12 interim audit	Progress/response to recommendations Response to fraud and legality arrangements letters
September 2012	Progress report Annual Governance Report	Response to letter of representation