



## Audit Committee

**Thursday, 17 December 2009 at 7.30 pm**  
Committee Room 3, Brent Town Hall, Forty Lane,  
Wembley, HA9 9HD

### Membership:

#### Members

Councillors:

Cummins (Chair)  
HM Patel (Vice-Chair)  
Butt

#### first alternates

Councillors:

Dunn  
HB Patel  
John

#### Second alternates

Councillors:

Pagnamenta  
Detre  
Beswick

**For further information contact:** Toby Howes, Democratic Services Officer  
020 8937 1307, [toby.howes@brent.gov.uk](mailto:toby.howes@brent.gov.uk)

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

# Agenda

Introductions, if appropriate.

Apologies for absence and clarification of alternate members

Item	Page
<b>1    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    Deputations</b>	
<b>3    Minutes of the Previous Meeting held on 24 September 2009</b>	1 - 6
The minutes of the meeting are attached.	
<b>4    Matters Arising</b>	
<b>5    Audit Commission's progress report</b>	7 - 40
The purpose of this progress report is to brief the Audit Committee on work currently being planned or undertaken by the Audit Commission.	
<b>Ward Affected:</b>	<b>Contact Officer:</b> Duncan McLeod, Director of Finance and Corporate Resources
All Wards;	Tel: 020 8937 1424 duncan.mcleod@brent.gov.uk
<b>6    Treasury Management Report</b>	41 - 48
This report looks at recent treasury management developments, in particular, the Department of Communities and Local Government (DCLG) consultation on Guidance over local authority investments, and the revised CIPFA Code of Practice on Treasury Management. The report also outlines proposals to amend the current Lending List.	
<b>Ward Affected:</b>	<b>Contact Officer:</b> Duncan McLeod, Director of Finance and Corporate Resources
All Wards;	Tel: 020 8937 1424 duncan.mcleod@brent.gov.uk

## 7 Internal Audit - Progress Report for April 2009 to November 2009

49 - 116

This report identifies the internal audit reports issued since 30 September 2009 and provides a summary of the work of Internal Audit for the period 1 April 2009 to 30 November 2009.

**Ward Affected:** **Contact Officer:** Duncan McLeod, Director of Finance and Corporate Resources

All Wards; Tel: 020 8937 1424  
duncan.mcleod@brent.gov.uk

## 8 Use of Directed Surveillance

117 -  
124

The purpose of this report is to advise members on the use of covert surveillance across the council.

**Ward Affected:** **Contact Officer:** Duncan McLeod, Director of Finance and Corporate Resources

All Wards; Tel: 020 8937 1424  
duncan.mcleod@brent.gov.uk

## 9 Date of Next Meeting

The next scheduled meeting of the Audit Committee is scheduled to take place on Wednesday, 3<sup>rd</sup> March 2010.

## 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.



- 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

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## **MINUTES OF THE AUDIT COMMITTEE** **Thursday, 24 September 2009 at 7.30 pm**

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

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

None declared.

2. **Deputations**

None.

3. **Minutes of the previous meeting**

RESOLVED:

that the minutes of the previous meeting held on 18 June 2009 be approved as an accurate record of the meeting.

4. **Matters arising**

None.

5. **Statement of accounts 2008/09 Annual governance report**

Members received a report from Duncan McLeod (Director of Finance and Corporate Resources) on the statement of accounts for the year 2008/09.

Duncan McLeod explained that the full statement of accounts and the Pension Fund accounts had been audited separately this year for the first time. The governance report for the Pension Fund had already been presented to the Pension Fund Sub-Committee. Duncan McLeod thanked Andrea White (District Auditor, Audit Commission) and Shahida Nasim (Operational Manager, Audit Commission) for completing their work in such a short time.

Andrea White noted that work on the audit was at an advanced stage, although the fact that the Council's finance systems were highly devolved had meant that the audit had taken longer than had been originally anticipated. She added that the Council's officers had given excellent co-operation. She went on to explain that the final fee charged by the Audit Commission had yet to be determined.

Shahida Nasim explained that the Council's accounts had been found to be true and fair, although there had been errors in some financial statements. Appendix 2 of the report showed the adjustments made in order to make these accurate. She drew Members' attention to Appendix 5, where an action plan was described. Duncan McLeod then advised that a detailed list of the errors in financial statements would be presented to the Audit Committee.

Turning to the audit of the Pension Fund, Shahida Nasim explained that work on this was also at an advanced stage. She added that there were no material weaknesses in internal control, although two errors had been noted in the financial statements, the amendments to which were detailed in Appendix 2 of the report. Shahida Nasim also drew the Committee's attention to two additional amendments identified after the draft Annual Governance Report had been circulated, relating to the updated valuation of private equity investments and future contractual commitments.

Asked whether the annual report would be completed on time, and whether there were an update on the outstanding legal proceedings, Duncan McLeod advised that it was planned for the annual report to be completed by the required deadline of 30<sup>th</sup> November 2009, and regarding the legal proceedings, he explained that the case was now at the Court of Appeal. Andrea White advised that, once the proceedings had been concluded, she would be able to issue her final certificate.

RESOLVED:

- (i) that the Annual Governance Reports from the Audit Commission and the letter of representations to the Audit Commission be noted; and
- (ii) that it be noted that the accounting policies were correctly followed and that no issues arising from the financial statements and the audit needed to be brought to the attention of Full Council.

## **6. First Internal Audit Progress Report 2009/10**

Simon Lane (Head of Audit and Investigations) presented a summary of the work of Internal Audit between 1<sup>st</sup> April 2009 and 31<sup>st</sup> August 2009. He explained that work on the audit was ahead of schedule, with 474 days, or 39 per cent of the plan, having been completed.

Simon Lane then explained that some primary schools were struggling to achieve passes after their Financial Management In Schools (FMSIS) assessments. He added that the team was on target to assess all primary schools by 31<sup>st</sup> March 2010.

On the subject of foundation schools, Simon Lane explained that there had been concerns about financial management at one of the foundation schools. As the problems had not been identified by the school's independent auditor, it had been decided that the auditing of these schools would be brought back under the control of the Audit and Investigation Team. Four were currently due to be audited as part of the current 2009/10 Plan and the remainder were expected to be done in the first half of the 2010/11 Plan.

Phil Lawson (Deloitte) then described in more detail the progress of the internal audits for which a Limited Assurance had been awarded since 1 April 2009. The audit of Home Care – Care Management identified weaknesses with regards to the resolution of areas of poor performance on the part of service providers over an extended period of time. Whilst management had identified various issues regarding performance, a number of credit notes were outstanding, and in some

instances management had consequently stopped undertaking certain checks, such as on carers' timesheets. In addition, whilst it was management's decision in terms of the extent to which home visits were undertaken, from Internal Audit's perspective the sample size appeared to be relatively small, and the samples selected by management were not covering all service providers. However, on a positive note, the planned introduction of an electronic time monitoring system should help management to address some of the issues.

Phil Lawson went on to explain that the audit of Recruitment had identified several issues; however, management had been aware of the majority of these. However, it was agreed that the audit should go ahead so as to help ensure that management were fully aware of weaknesses from a controls perspective as well as any general improvement and efficiency issues already identified. It was understood that management were seeking to address the majority of the issues through the introduction of an e-recruitment system.

The Joint Commissioning audit had found that, Although a number of weaknesses were identified with regards to Joint Commissioning in Children & Families, to a certain extent these had probably come about due to the team still being relative new. In such situations the tendency is often to focus on getting things up and running, as opposed to concentrating on ensuring that procedures and tasks are fully formalised. One of the priority 1 recommendations was therefore overarching in terms of management ensuring that procedures are documented and that evidence is retained of all tasks and checks undertaken. It is positive to note that detailed management responses were received setting out the actions to be taken.

With regards to the audit of Complaints, Phil Lawson acknowledged that the Ombudsman had previously been generally positive about the Council's performance with regards to complaints handling. However, the audit had identified weaknesses around the controls in place, some of which were linked to the use of two different IT systems and also to the devolved nature of complaints handling. He added that it was understood that there is a wish to move to one IT system, for which there should be greater monitoring functionality, but there have been problems with regards to the support from the software provider.

Councillor H M Patel asked whether deadlines had been set for the implementation of the assurance recommendations. Phil Lawson replied that for each audit, management were required to provide a response to each recommendation raised, confirming the actions to be taken, the responsible officers and a deadline for completion. These deadlines were reviewed for reasonableness in line with the priority of the recommendation, prior to the report being finalised. He added that the recommendations were then followed-up once the deadlines had passed.

RESOLVED:

that the progress made in achieving the 2009/10 Internal Audit Plan and the proposals for the future audit arrangements for foundation schools be noted.

**7. Treasury Management - Select Committee report on local authority investments in Icelandic banks**

Members received a report presented by Mick Bowden (Deputy Director of Finance and Corporate Resources) regarding the House of Commons' Select Committee report on the lessons to be learned from the collapse of Icelandic banks with which local authorities had deposits. After consideration, the Select Committee had decided against introducing tighter controls over the way in which local authorities invested their money. Mick Bowden then listed some of the other recommendations from the Select Committee's report: that smaller authorities should share expertise; that local authorities should not simply rely on credit rating agencies in selecting banks; and that councillors should be given more opportunities for training.

To give an update on Brent Council's deposits, Mick Bowden reported that about 16 per cent of the deposits with Heritable Bank had already been repaid. This amounted to £1.6 million. Councillor Butt then asked what the impact on the Council's finances would be, were there to be delays in the repayment of money due. In response, Mick Bowden explained if the money were not repaid, it could cause the Council some short-term cash flow problems, but that current Government regulations meant that it would not impact on council tax in the current year. He added that the Council hoped to have most of the money returned to it, and at least another 10 per cent was expected by the end of 2009.

The Chair asked whether the recommended training for Members sitting on the Audit Committee would not be held until after the local elections in May 2010. Mick Bowden replied that the training which Members had already received was more advanced than that recommended by the Select Committee, and Duncan McLeod added that there was therefore no urgent necessity to hold more training until after the elections.

The Chair then commented that, if independent members were to be co-opted onto the Audit Committee, they would need to have local authority treasury management experience. Councillor Butt commented that sharing expertise with other local authorities would prove useful, particularly if the authorities were similar in profile to Brent Council.

Duncan McLeod undertook to compile for the next meeting a list of proposals explaining how the Select Committee's recommendations could be implemented.

**RESOLVED:**

that the steps taken either previously or in response to the Select Committee report be noted.

**8. Any other urgent business**

None.



9. **Date of next meeting**

It was noted that the next meeting was scheduled to be held on **Thursday, 17 December 2009** at **7.30pm**.

The meeting closed at 8.45 pm.

M CUMMINS  
Chair

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# Progress Report

## December 2009

Brent London Borough

Audit 2008/09

**Audit Committee 17 December**

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## 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.
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# Summary

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### 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.

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### Audit Progress 2008/09

- 2 We have completed our work on Use of Resources. The final scores are:
  - Managing Finances 3
  - Governing the Business 2
  - Managing resources 2We have agreed our Use of resources report with officers. This is included for your review; and
- 3 We have completed our Accounts memorandum and agreed this with officers. At present the officers are busy finalising actions to address our recommendations. This is included for your review.
- 4 We have completed our certification of eleven grant claims prepared by the Council. We have completed our Grants report and are in the process of agreeing this with officers. This will be presented at the next Audit Committee.
- 5 We agreed the 2008/09 Annual Audit Letter with the Chief Executive and Director of Finance at a meeting held on the 15 December 2009. This will be presented at the next Audit Committee.
- 6 Our 2009/10 audit has commenced. We have agreed plans with the finance team, and have started reviewing organisational and system level risks. We continue to maintain regular communication with the finance team to identify and resolve potential issues early. Following this work, we will draft our supplementary opinion plan. This will be presented at the next Audit Committee.
- 7 Over the next few weeks we will be starting to plan the 2010/2011 audit. This will include exploring our initial thoughts and ideas with officers. We would welcome your views on any areas of risk where external audit work would be beneficial; your views can be fed back to ourselves either directly or via officers.

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### Recent Audit Commission publications

- 8 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](#)

### Audit quality reports (November 2009)

- 9 The Audit Commission has published two important reports on the quality of the work of its appointed auditors for our stakeholders, which include our sponsoring departments, audited bodies, the wider accounting and auditing profession and other interested parties.
- 10 The first is the [Audit Commission's quality review process](#) that summarises the results of our quality review of the work of the audit practice and the firms of private sector auditors that we appoint as auditors to local government and NHS bodies.
- 11 The second is the [Audit Practice annual quality report](#) that summarises the results of the quality review of the work of the Commission's own staff as auditors to local government and NHS bodies, including the views of the Audit Inspection Unit that carried out an independent review of our work.
- 12 The publication of the Audit Commission's audit practice annual quality report is one of a range of measures aimed at demonstrating our commitment to delivering audit quality. It assures audited bodies and stakeholders about the arrangements in place and the underlying strength of the Commission's audit practice and compares our audit practice with the firms and the other audit agencies.

### Nothing but the truth? (November 2009)

- 13 The high-profile failure of public authorities to both safeguard Baby Peter in Haringey, and prevent the high number of deaths in Mid-Staffordshire NHS Foundation Trust, has directed attention to the accuracy and reliability of the data underpinning local service delivery.
- 14 It is not a matter of quantity; we have more data about services than we can realistically use. Yet the public lacks trust in the institutions that govern and serve it - and this mistrust extends to the information they provide.
- 15 The Audit Commission exists to reassure the public that local public bodies are spending their money well and achieving positive outcomes in local communities. The Commission has a role in assessing the quality of data in local public services and we have made a public promise to help improve it.
- 16 This paper sets out important issues as the basis for discussion on how to ensure data about local public services is fit for purpose. It asks if citizens, along with frontline staff,

## Summary

managers, politicians, central government and local public service regulators, can have confidence in the data they rely on. And if not, what needs to be done about it?

### Means to an end (October 2009)

- 17 This report reviews the joint financing and integrated care arrangements between NHS bodies and councils with adult social care responsibilities. It builds on our previous publication, [Clarifying joint financing arrangements](#), that explained the practical implications and legislative framework for joint financing.
- 18 It considers how these arrangements are used, focusing on learning disability, mental health and older people - areas where service users most often need health and social care.
- 19 The report's recommendations and examples of notable practice aim to help national and local bodies better understand the options available, how to use them and to achieve better outcomes for service users.

### Lofty ambitions (October 2009)

- 20 Councils have many opportunities to act and to exercise community leadership to achieve reductions in domestic CO2 emissions. This report examines and reports on the progress made by councils to cut these emissions in their areas. It gives practical examples to show councils how they can tackle emissions, and at the same time help to reduce fuel poverty. The report also considers how councils can achieve improvements in value for money from their actions to reduce CO2

### Protecting the public purse (September 2009)

- 21 This report considers the key fraud risks and pressures facing councils and related bodies and identifies good practice in fighting fraud. It has never been more important that councils fight fraud. Every pound lost to cheats is a pound that cannot be used for people in real need. The report identifies specific risks that are often not adequately addressed, to do with housing tenancy, council tax and recruitment fraud.
- 22 The Commission found housing tenancy fraud could be tying up at least 50,000 council and housing association properties worth more than £2 billion, while queues for homes have increased by more than 50 per cent over the last six years. The number of people in need of social housing is predicted to rise to 2 million by 2011.
- 23 Council taxpayers could be losing almost £2 million a week to fraudsters claiming a 25 per cent single person discount on their council tax. The discount can be claimed by householders where there are no other residents aged 18 or over living at an address.
- 24 The report provides an overview of the threats of fraud facing councils. It calls on them to urgently reassess their counter fraud plans and to ensure that staff understand, and have faith in, whistle-blowing arrangements.

# Appendix 1 – Key Deliverables

**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

**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	
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	This work is nearing completion, and we anticipate completing early in the new year.
HR follow up	December 2009 to February 2010	We have met officers for a setup meeting, and audit work is underway. We anticipate completion early in the new year.
Project management review	January 2009 to March 2010	
Value for money conclusion	June 2010 to September 2010	
Use of resource judgements	August - November 2010	
<b>Inspection</b>		
Direction of Travel	October 2009-	

## Appendix 2 – Key deliverables

Product	Timing	Current position
	January 2010	
<b>Reporting</b>		
Annual Audit and Inspection Letter	December 2010	

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# 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.

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## Copies of this report

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# Use of Resources

**London Borough of Brent**

**Audit 2008/09**

**November 2009**

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## Status of our reports

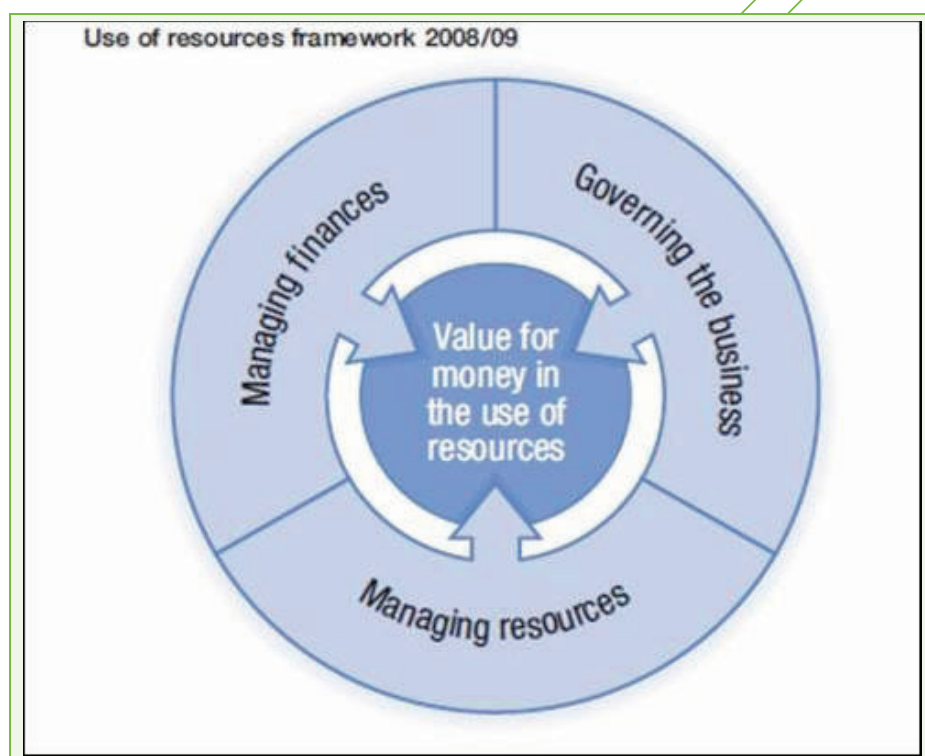
The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the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

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# Introduction

- 1 The use of resources assessment considers how well organisations are managing and using their resources to deliver value for money and better and sustainable outcomes for local people. The assessment comprises three themes that focus on the importance of sound and strategic financial management, strategic commissioning and good governance, and the effective management of natural resources, assets and people. The three themes are illustrated below:

**Figure 1 The three assessment themes**



Source: Use of Resources Framework - overall approach and key lines of enquiry

- 2 Each theme comprises of a number of underlying key lines of enquiry (KLOE), which are set out in the Audit Commission's publication - Use of Resources Framework: Overall approach and KLOE. The KLOE are generic and applicable equally to all organisations subject to use of resources judgements under Comprehensive Area Assessment (CAA). This promotes consistency and demonstrates that all organisations within a CAA area are treated in exactly the same way and to the same standards.
- 3 This report relates our use of resources assessment for the financial year 2008/09. It is based on the KLOE for 2009 which were published in May 2008

following consultation. The assessment reflects the needs of CAA and incorporates a number of improvements including: a clearer focus on value for money achievements and further emphasis on commissioning of services, outcomes for local people and partnership working.

- 4 Judgements have been made for each theme using the Audit Commission's scale, see Table 1 below. This scale is used across its inspection and performance assessment frameworks.

**Table 1 Standard scale used for assessments and inspections**

1	Failure to meet the minimum requirements at level 2
2	Meets only minimum requirements – performs adequately
3	Exceeds minimum requirements – performs well
4	Significantly exceeds minimum requirements – performs excellently

- 5 In forming our assessment, we have used the methodology set out in the Use of Resources Guidance for Councils for 2008/9, which can be found on the Commission's web site. We have also taken account of our findings and conclusions from work in previous years and updated these for any changes and improvements to the Council's arrangements.
- 6 The three theme scores for the London Borough of Brent are set out in table 2 below. Under each theme summary we set out our key findings in relation to each theme and highlight key areas for improvement.



# Use of resources judgements

7 The Council has performed well this year and is assessed as a level 2.

**Table 2 Summary of scores at theme and KLOE level**

Key lines of enquiry (KLOEs)	Score 2009
<b>Managing finances</b>	
1.1 The Council plans its finances effectively to deliver its strategic priorities and secure sound financial health.	3
1.2 The Council has a sound understanding of its costs and performance, and achieves efficiencies in its activities.	3
1.3 The Council's financial reporting is timely, reliable and meets the needs of internal users, stakeholders and local people.	2
<b>Governing the business</b>	
2.1 The Council commissions and procures quality services and supplies, tailored to local needs, to deliver sustainable outcomes and value for money.	2
2.2 The Council produces relevant and reliable data and information to support decision making and manage performance.	2
2.3 The Council promotes and demonstrates the principles and values of good governance.	2
2.4 The Council manages its risks and maintains a sound system of internal control.	2
<b>Managing resources</b>	
3.1 The Council makes effective use of natural resources.	2
3.2 The Council manages its assets effectively.	3

# Theme summaries

- 8 The key findings and conclusions for each of the three themes are summarised in the following tables.

## Managing finances

<b>Theme score - 3</b>	
<b>Key findings and conclusions</b>	
<p>The Council clearly integrates financial and corporate planning and has a good record of delivering on its annual budget plans. The Council has taken swift action to review its treasury management strategy following the banking collapse in October 2008 and has moved to a risk averse treasury management strategy.</p> <p>The Council has used benchmarking to identify high cost areas (e.g. adult and children services) and has used transformation programmes to reduce costs in these areas. 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.</p> <p>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. There is scope to develop systems for more flexible reporting. The Council needs to demonstrate greater involvement of external stakeholders to tailor external reporting. The financial statements were prepared in line with the statutory timetable. One material error was identified in the main financial statements (relating to the treatment of downward revaluation of fixed assets) and one material error was identified in the Pension Fund financial statements (relating to the valuation of private equity investments). These items were subsequently adjusted by the Council.</p>	
<b>Improvement opportunities</b>	
KLOE 1.1 The Council plans its finances effectively to deliver its strategic priorities and secure sound financial health.	<ul style="list-style-type: none"> <li>• Demonstrate greater involvement of external stakeholders in the financial planning process.</li> </ul>
KLOE 1.2 The Council has a sound understanding of its costs and performance, and achieves efficiencies in its activities.	<ul style="list-style-type: none"> <li>• Expand the use of comparative information on costs and performance.</li> <li>• Explore ways of driving down costs in areas of higher expenditure, such as waste services, whilst improving performance.</li> </ul>
KLOE 1.3 The Council's financial reporting is timely, reliable and meets	<ul style="list-style-type: none"> <li>• Develop systems that allow more flexible reporting and information accessible at</li> </ul>

## Theme summaries

Theme score - 3	
the needs of internal users, stakeholders and local people.	<p>any time.</p> <ul style="list-style-type: none"><li>• Continue improving processes to enable an early and efficient accounts closure.</li><li>• Demonstrate greater involvement of external stakeholders in the financial reporting process.</li><li>• Develop review procedures to ensure that any errors are 'clearly trivial' and that there are no significant matters to be reported to those charged with governance.</li></ul>

## Governing the business

<b>Theme score - 2</b>	
<b>Key findings and conclusions</b>	
<p>Overall the Council has a clear vision of what it wants to achieve based on comprehensive needs analysis and this has informed corporate strategies. However the use of commissioning and procurement to deliver the Council's desired outcomes is variable. Some service areas have commissioning strategies, but there is no overarching strategic approach to commissioning and procurement. A strategic procurement unit is in place, supported by a procurement strategy, but this is not clearly linked to the delivery of corporate objectives. There is variability in the effectiveness of commissioning practices and procedures across the Council, particularly in relation to market management and involving community and service users.</p> <p>The Council has an embedded process for measuring and reporting on performance. An information governance strategy is in place and sets out the requirements for data quality. There is scope to improve systems regarding the undertaking, processing, recording and reporting of performance information. For example, arrangements could be implemented/improved to robustly review third party data. Arrangements for reviewing data quality are not standardised across the organisation. The Council could introduce procedures that would share best practice and lead to more consistent arrangements. A Partnership Performance Management Group has been established to co-ordinate the collection of performance data for Local Area Agreement (LAA) targets and the National Indicator (NI) set. Performance monitoring includes scrutiny at Member and departmental level.</p> <p>The Council promotes and demonstrates the principles of good governance across all staff levels within the Council. The Council identifies and manages risks in line with its strategy. This strategy is fed down to all levels of staff through ongoing training and guidance. To assess the impact of this training of the Council's principles and values the Council could use staff surveys to identify how embedded the principles of good governance are across the organisation.</p> <p>A risk management strategy is in place. Risks and responses are reported to the Executive on a regular basis. Council and Executive reports consider risks as part of the decision making role on corporate policies, budget setting, major policy decisions, and major projects. The Council maintains a sound system of internal control and has an established Audit Committee in place that focuses on audit activities and internal control. The Head of Internal Audit opinion, issued in June 2009, was qualified due to governance failings at Foundation Schools. The Council obtains information from the London Borough Fraud Investigation Group and Department of Works and Pensions on housing benefit frauds. The Council could use this information to benchmark its counter fraud arrangements and address any weaknesses identified.</p> <p>Whilst systems and processes regarding governing the business are in place, it is difficult to link these to clear outcomes and achievements.</p>	
<b>Improvement opportunities</b>	
KLOE 2.1 The Council commissions and procures quality services and	<ul style="list-style-type: none"> <li>Develop a strategic approach to commissioning, which identifies how</li> </ul>

## Theme summaries

Theme score - 2	
supplies, tailored to local needs, to deliver sustainable outcomes and value for money.	<p>commissioning and procurement will help to deliver corporate priorities.</p> <ul style="list-style-type: none"> <li>• Provide ways of increasing the involvement of service users, current and potential providers and other key stakeholders in each stage of the commissioning cycle to ensure that commissioned and procured services meet local need.</li> <li>• Explore ways of improving the delivery of services through procurement to provide better outcomes for those who use local services.</li> <li>• Ensure all departments, who commission services, have a good understanding of the local market and development mechanisms to develop the local market to meet anticipated future need.</li> </ul>
KLOE 2.2 The Council produces relevant and reliable data and information to support decision making and manage performance.	<ul style="list-style-type: none"> <li>• Improve the consistency of data quality arrangements in place, regarding the undertaking, processing, recording and reporting of performance information. This will enable assurance to be gained over data received to support performance.</li> <li>• Robustly review data received from third parties to provide assurance over the information used in the calculation of National Indicators and other performance indicators. Our data quality spot checks on NI 192 (household waste sent for reuse, recycling and composting) and NI 156 (households living in temporary accommodation) identified weaknesses in this area.</li> </ul>
KLOE 2.3 The Council promotes and demonstrates the principles and values of good governance.	<ul style="list-style-type: none"> <li>• Improve self assessment tools to allow collection and analysis of staff responses to governance training and development. This approach should provide a clearer understanding of staff understanding of the Council's principles and values and of the impact of initiatives already introduced.</li> <li>• Improve governance arrangements from lessons learnt by the Council from <ul style="list-style-type: none"> <li>– governance failings at Foundation schools; and</li> <li>– investments in collapsed Icelandic</li> </ul> </li> </ul>

Theme score - 2	
	banks.
KLOE 2.4 The Council manages its risks and maintains a sound system of internal control.	<ul style="list-style-type: none"> <li>• Improve risk management and internal control arrangements from lessons learnt by the Council from: <ul style="list-style-type: none"> <li>– internal control failings at Foundation schools; and</li> <li>– investments in collapsed Icelandic banks.</li> </ul> </li> <li>• Use results of the fraud survey to benchmark counter fraud arrangements and take action to address any weaknesses identified.</li> </ul>

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### Managing resources

#### Theme score - 2

#### Key findings and conclusions

The Council has a Carbon Management Strategy and Implementation Plan prepared in conjunction with the Carbon Trust and has set a target of 20% reduction in CO2 emissions between 2006 and 2011. To enable progress against targets to be measured, the Council should ensure that there is reliable information to monitor its performance. The Council is currently revising its carbon reduction targets in conjunction with the Carbon Trust. To demonstrate best practice and to lead by example, the Council needs to demonstrate it works effectively with partners in developing, implementing and monitoring plans and communicate performance against planned targets to the public, stakeholders and staff.

Strategic asset management is leading to good outcomes through the use of assets to meet corporate priorities. For example, the acquisition of Brent House provided value for money, improved user experience and has provided a platform to develop the Council's accommodation strategy. The Council has a clear corporate approach to managing its assets with plans to further strengthen its corporate approach over the next twelve months. The Council is managing its asset base well to deliver value for money whilst improving user experience. The Council is currently exploring ways of jointly using assets with partners such as the police, the PCT and voluntary sector groups. This has included the possibility of partners having a presence at the new Civic Centre and exploring ways of transferring assets to the voluntary sector in response to the Quirk review.

#### Improvement opportunities

<p>KLOE 3.1 The Council makes effective use of natural resources.</p>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• Work effectively with partners in developing, implementing and monitoring plans to reduce carbon usage.</li> <li>• Communicate performance against planned targets to the public, stakeholders and staff, and engage effectively with them.</li> </ul>
<p>KLOE 3.2 The Council manages its assets effectively.</p>	<ul style="list-style-type: none"> <li>• Explore a long term strategic approach for the shared use of asset sharing with wider community partners, including the voluntary and third sector and community groups.</li> </ul>

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# Final Accounts report

**London Borough of Brent and  
Brent Pension Fund  
Audit 2008/09  
November 2009**

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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 report

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## Introduction

- 1 This report details the main findings of our audit which was completed on the 29 September 2009 and resulted in an unqualified opinion. The report is prepared for management and is in addition to our earlier Annual Governance Report which was reported to those charged with governance.

## Background

- 2 The Accounts and Audit Regulations 2003 require Local Authorities to prepare a statement of accounts in accordance with proper practices (CIPFA Statement of Recommended Practice (SoRP)).
- 3 We are required by the Code of Audit Practice to give an opinion on whether the Council's accounts present fairly:
  - the financial position of the Council and its income and expenditure for the year; and
  - the financial transactions of the Pension Fund for the year and the amount of disposition of the fund's assets and liabilities at the year end, other than liabilities to pay pensions and other benefits after the end of the scheme year.
- 4 Our opinion covers the following statements:
  - Income and Expenditure Account;
  - Balance Sheet;
  - Cash Flow Statement;
  - Housing Revenue Account;
  - Collection Fund;
  - Group Accounts;
  - Pension Fund Statement; and
  - supporting notes to the statements.
- 5 In addition we issue an opinion on the Whole of Government Accounts consolidation pack and a value for money conclusion.

## Main Audit Findings

- 6 The most significant findings were reported to those charged with governance in our ISA (UK&I) 260 Annual Governance Report. These are detailed in table 1.

**Table 1**      **Audit Findings reported to those charged with governance**

Issue or Risk	Finding
Valuations relating to certain leisure and educational land and building operational assets were incorrectly treated in the draft financial statements resulting in an overstatement of the revaluation reserve.	The financial statements were amended to correctly recognise the change in valuations of individual assets.
The Council identified a control weakness in its procedures over the financial management of foundation schools. This has been reflected in the Annual Governance Statement.	The Council has strengthened its arrangements in respect of controls in place over foundation schools.
Since the introduction of the Council's new payroll system difficulties have been experienced in undertaking reconciliations on the payroll system to the general ledger. As a result some monthly reconciliations were not undertaken.	The year end reconciliation has been produced and the Council is now undertaking monthly reconciliations.
The Pension Fund accounts included unquoted investments which had been valued at September 2008 rather than the latest accounts available to the Council. This resulted in an overstatement in the net asset statement.	The Pension Fund accounts were amended to reflect the updated valuation, in line with the Pension Statement of Recommended Practice (Pension SoRP).
The Pension Fund accounts did not include details of the contractual commitments it had relating to potential future investments in the private equity mandate.	The Council added an additional disclosure note to the Pension Fund accounts.

- 7 During our interim audit we gained an understanding of the organisation and its environment and assessed the risks of material misstatement as required in ISA (UK&I) 315. This entailed having discussions with key contacts in each department to gain an understanding of the organisational structure and documenting and walking through individual material financial systems. As we were only able to gain limited assurance that controls had been consistently applied across all departments of the Council throughout the whole of the

## Summary report

financial year we undertook additional substantive testing to gain assurance over the transactions and balances within the accounts.

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## Next steps

- 8 In conducting this audit, we identified opportunities for the Council to improve its internal controls and financial reporting. The action plan, included as appendix 1 to this report, sets out recommendations to support improvement.
- 9 We would like to take this opportunity to thank the Council officers for the assistance provided over the course of the audit.

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# Detailed report - London Borough of Brent

## Introduction

**10** This section covers:

- internal control weaknesses identified within departments; and
- matters arising from our post statement audit work.

## Internal Control Weaknesses

### Journals - all departments

**11** Our testing found that there were limited controls in place to create, post or approve journals. In addition, we found in some departments there was no segregation of duty in creating and posting journals, with the same officer carrying out both tasks. These weaknesses in the control environment create a risk of financial error or loss. As a result of these weaknesses we performed additional substantive testing of journals.

### Recommendation

**R1** Strengthen the process for creating, posting and approving journals to ensure appropriate controls are in place, including segregation of duties.

### Children and Families

**12** Our testing found weaknesses in the following areas:

- Purchase orders - formal procedures for raising purchase orders were not operated during 2008/09.
- Payment runs - authorisation of payment runs were not always evidenced by reports being signed by two signatories.
- Control accounts and reconciliations - there is insufficient evidence that control accounts and reconciliations (accounts payable, accounts receivable, payroll and bank) are independently reviewed.

### Recommendation

**R2** Operate formal procedures for raising all purchase orders.

**R3** Ensure all payment runs are authorised and signed by two signatories.

**R4** Evidence independent review on all control accounts and reconciliations.

## Detailed report - London Borough of Brent

### Housing

- 13** Our testing found that there is insufficient evidence that control accounts and reconciliations (accounts payable, accounts receivable, payroll and bank) are independently reviewed.

#### Recommendation

- R5** Evidence independent review on all control accounts and reconciliations.

### Adult Social Care

- 14** Control account reconciliations for accounts payable and accounts receivable prior to February 2009 were not available.
- 15** Payroll reconciliations were performed monthly, but did not contain details of who prepared the reconciliation, when it was prepared and who it was reviewed by.
- 16** Payment runs were sometimes signed as authorised by one individual rather than two.

#### Recommendation

- R6** Retain all documentation and include evidence of independent review on all control accounts and reconciliations.
- R7** Ensure all payment runs are authorised and signed by two signatories.

### Environment

- 17** Our testing did not identify any significant weaknesses in internal controls within this department.

### Finance and Corporate Resources

- 18** Our testing found that documentation to support accounts receivable invoice requests were not always retained.
- 19** We also found that there is insufficient evidence that bank reconciliations are independently reviewed.

#### Recommendation

- R8** Retain all documentation to support the audit trail for accounts receivable.
- R9** Include evidence of independent review on bank reconciliations.

## Post Statements Audit

### Accounts Presentation and Working Papers

- 20** The devolved structure of the Council means that each unit completes a year-end workbook which is entered into the SUN system which is used to produce the Council's accounts. The quality of the information provided in the workbooks was variable in terms of depth of detail and adequacy of the audit trail and this is an area that needs to be improved in future years.
- 21** There are a large number of key contacts across the organisation and working papers for some items (e.g. investments, loans and borrowings, and cash flow statement) are held by individual staff. The Council should consider preparing a single central working paper file (either manually, or ideally electronically). This would aid the Council's review procedures prior to approval of the accounts, assist both the authority and the audit team if key individuals are unexpectedly unavailable and improve efficiency of the audit process.
- 22** Queries raised during the course of the audit were generally answered promptly, but some delays were experienced. These delays resulted in late adjustments to the accounts.

### Recommendation

- R10** Provide a full audit trail between the individual unit workbooks to the accounts.
- R11** Perform and evidence internal quality review checks on the accounts and supporting working papers.
- R12** Prepare a central working paper file for the accounts audit.
- R13** Respond to all audit queries in a timely manner.

### Fixed Assets

- 23** During 2008/09 the Council re-valued a proportion of its land and building assets. This resulted in a £19.9 million downward valuation of leisure and educational land and a £0.7 million downward valuation of HRA properties. These items were accounted for in the draft accounts by adjusting the revaluation reserve. Accounting Standards require downward revaluations to be recognised in the income and expenditure account unless they arise on previously re-valued fixed assets. Our testing found that £20.2 million (all of the £19.9 million and £0.3 million of the £0.7 million) should have been taken to the income and expenditure account. The accounts were amended to correct this error.
- 24** Land at Wembley Primary School with a value of £3.4 million was not included in the accounts. This omission was due to an error during the transfer of information from the fixed asset register to the financial accounts working papers. The accounts were amended to correct this omission.
- 25** The SoRP guidance notes state that authorities should consider revising asset values at each year-end to ensure that the accounts do not include values that are completely erroneous following permanent changes in asset values. The



## Detailed report - London Borough of Brent

Council performed a full valuation of its fixed assets in 2004 and has subsequently re-valued a proportion of assets. The Council did not produce working papers that considered the value of assets that had not been re-valued in 2008/09. The Council should ensure that it produces comprehensive working papers that consider the appropriateness of assets that have not been re-valued to ensure that these are not materially misstated. We performed a review of the Council's fixed assets to confirm that the values in the 2008/09 accounts were not materially misstated.

### Recommendation

- R14** Review fixed asset revaluation reserve accounts to ensure that downward revaluations are correctly accounted for where there are insufficient revaluation balances.
- R15** Strengthen fixed asset year end closedown procedures to ensure that all items are included in the accounts.
- R16** Perform formal review of the Council's fixed assets to ensure that the accounts do not entries that are completely erroneous following permanent changes in asset values.

### Debtors

- 26** Our testing of debtors found that in the Children and Families department cash received before the year end had not been matched against invoices and therefore the items were shown as a debtor balance in the draft accounts. Further work was performed by the Council in this area and the final accounts were amended by £0.4 million.

### Recommendation

- R17** Match cash receipts against specific invoices in the accounts receivable ledger and perform monthly review of suspense accounts to identify and correct unmatched cash receipts.

### Bad Debt Provision

- 27** Bad debt provision calculations had not been updated since the previous year at some business units. The SoRP guidance notes state that a debtor's impairment exercise is to be undertaken annually and the provision for bad debts to be revised accordingly. The Council updated its bad debt provision calculations prior to approval of the final accounts.
- 28** The draft accounts did not include a note analysing the bad debt provision. The Authority included these details in the accounts presented to members in September 2009.

**Recommendation**

**R18** Undertake comprehensive year end reviews of the adequacy and appropriateness of bad debt provisions.

**R19** Include all disclosures required by the SoRP or considered to be best practice in the accounts.

**Creditors**

**29** Our testing of creditors found that in one department (Housing) the balance was stated net of £0.6 million of debit balances. This was amended in the final set of accounts approved in September 2009.

**Recommendation**

**R20** Review creditor balances to ensure that they are not reported net of any debit balances on the ledger.

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# Detailed report - Brent Pension Fund

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## Pension Fund

- 30** Our review of pension fund investments found that the valuation of a private equity investment was primarily based on the fund's un-audited accounts as at 30 September 2008 adjusted for subsequent cash movements. We would usually expect the valuation of unquoted investments to be based on the latest available audited accounts adjusted for subsequent cash movements. The value of this investment was reduced by £5.9 million in the final accounts to reflect the position reported in the private equity investment companies audited accounts as at 31 December 2008.
- 31** The Pension SoRP requires the accounts to disclose details of future commitments to private equity schemes. The accounts were amended to include details of the £52 million contractual commitment to a private equity fund.
- 32** Minor changes and disclosure amendments were made to the Pension Fund statement and its accompanying notes to ensure accuracy and compliance with the SoRP.
- 33** New guidance covering the requirements of the pension fund annual report was issued late. The Authority did not produce a final pension fund annual report by 30 September which was reported within our audit opinion. The deadline for the Authority to produce a final pension fund annual report is 1 December 2009.

### Recommendation

- R21** Compare valuation of unquoted investments held by the Pension Fund to latest available audited accounts, adjusted for subsequent cash movements. Monitor the value of unquoted investments up to the date of approval of the accounts and make adjustments to reflect any significant changes in valuation.
- R22** Include all disclosures required by the Pension SoRP or considered to be best practice in the accounts.
- R23** Include provision for the preparation of the pension fund annual report and collection of supporting information in the 2009/10 accounts timetable.

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	<p style="text-align: center;"><b>Audit Committee</b> 17 December 2009</p> <p style="text-align: center;"><b>Report from the Director of Finance and Corporate Resources</b></p>
<p style="text-align: right;">Wards Affected: ALL</p>	
<p><b>Treasury Management – Department of Communities and Local Government Consultation and current developments</b></p>	

## 1. SUMMARY

- 1.1 This report looks at recent treasury management developments, in particular, the Department of Communities and Local Government (DCLG) consultation on Guidance over local authority investments, and the revised CIPFA Code of Practice on Treasury Management. The report also outlines proposals to amend the current Lending List.

## 2. RECOMMENDATIONS

- 2.1 Members are asked to note and comment on
- a) The steps taken either previously or in response to the DCLG draft guidance and revised CIPFA Code.
  - b) The proposals in paragraph 3.10 to amend the Lending List

## 3 DETAIL

### DCLG Guidance

- 3.1 Under the Local Government Act 2003, the DCLG issues Guidance on local authority investments. Following the Icelandic banking crisis, and the subsequent House of Commons report, the DCLG has issued draft Guidance for consultation. The main points made in the draft Guidance are as follows:
- 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.

### **Comment and response to the DCLG draft Guidance**

3.2 Members will be aware that officers have taken and planned a number of actions in response to the Icelandic bank collapse. It is important to recognise that there will be periodic bank crises, and that these will take different forms. However, local authorities must ensure that their policies and practices are sound and that risks are appropriate. Commenting on the draft Guidance:

- a) The Treasury Strategy for 2010/11, which is included as part of the Budget papers, will include the various points made in the draft Guidance, as the final Guidance is unlikely to be published in time to meet the Budget timetable.
- b) As part of the ongoing review of treasury arrangements, Brent Council is tendering for a treasury adviser as the current contract with Butlers is due for renewal. The tender will ask potential advisers about how they have revised their approach in the light of the Icelandic collapse, and the criticisms made of over-reliance on credit rating agencies. However, it will continue to be clear that Brent Council takes responsibility for decisions – advisers issue advice.
- c) The issue of borrowing in advance is important and should be explained in the Treasury Strategy. Brent Council has sought to maintain borrowing at the most efficient level, usually considered to be the Credit Ceiling that reflects capital expenditure. At present, because short term rates are so low, the Council has borrowed less than the ceiling. However, when it is considered likely that rates may rise and increase costs over a 50 year period, early borrowing may be undertaken. This may be particularly important where major expenditure is planned, as with the Civic Centre.
- d) The response to the DCLG will welcome the Guidance, but will raise concerns about the increasing detail required in a strategy – for example, details of staff training that are more appropriate for the CIPFA Code, and the requirement for publication – and the issues surrounding security and yield. In order to avoid all risk, an authority would either lend to the Debt Management Office (DMO) or invest in government gilts. Over a period, lending to the DMO will give much lower returns than lending to the market. Although no local authority will wish to risk their capital, there is a trade-off between security and yield, and an impact on budgets. The response will also question the requirement that the Treasury Strategy should be agreed by Full Council – it is felt to be more

appropriate that there should be full scrutiny through an Audit Committee.

### **Revised CIPFA Code of Practice on Treasury Management (the Code)**

- 3.3 The Full Council adopted the 1996 CIPFA Code in May 1997, and the 2002 Revised Code in July 2002. Although the 2009 revised Code is very similar to previous documents, there are some important changes following the Icelandic banking crisis. These are:
- a) A mid year review of the annual treasury strategy, looking at activities undertaken and any variations from agreed policies / practices
  - b) The Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.
  - c) The Director of Finance and Corporate Resources to ensure that members tasked with treasury management responsibilities have access to appropriate training opportunities.
- 3.4 A mid-year review of treasury strategy will be introduced in 2010, though the Annual Report already includes commentary on developments since the beginning of the new financial year. The issues of effective scrutiny and training for members will continue to be addressed over the next year.

### **Developments since the last meeting of the Audit Committee**

- 3.5 Members will be aware that Brent deposited £15m with Icelandic banks in 2008 - £10m with Heritable Bank, and £5m with Glitnir Bank. The first repayment of £1.6m (16%) was received from the administrators of Heritable (Ernst & Young) in July 2009, and a second payment of £1m is expected in December. The improvement in the property markets should assist recovery prospects. On Glitnir, legal advice is that Brent should recover the whole of its deposit as the council will be classed as a secured creditor. However, it is likely that there will be legal challenges from other unsecured creditors.
- 3.6 Ernst & Young have estimated that local authority creditors may recover around 80% of their deposits with Heritable, leaving a potential shortfall of £2m. The DCLG have previously allowed local authorities to delay accounting for the potential shortfall in budgets until 2010/11. As the potential loss of £2m would have serious implications for Brent, it is proposed that the Council applies for permission to capitalise the £2m over twenty five years.
- 3.7 Following the collapse of Lehman Brothers and the Icelandic crisis, most local authorities reviewed their lending lists to reduce risk. A Society of London Treasurers' survey indicates that most boroughs are experiencing difficulties identifying investment counterparties and placing surplus cash. Most have reduced the duration of deposit. However, many are seeking to increase investment flexibility as markets return to more normal conditions.
- 3.8 A list of deposits as at 30<sup>th</sup> November 2009 is attached as Appendix 1. Most of the cash deposits, excluding those with money market funds that support cash flow requirements, are long-term at relatively high interest rates. Markets

have generally become more confident, and interest rates charged on lending between banks (the 'wholesale market') have reduced. On this basis, the Council has met most cash requirements by borrowing short term, at around 0.25% / 0.4%, rather than long term at around 4.4%. However, although short term rates are expected to stay low – around 0.5% until towards the end of 2010 – economists are forecasting that longer term rates may rise by around 1% as Quantitative Easing ceases and government debt issuance grows. On this basis, it will be prudent to borrow longer term to fund the capital programme. However, the concerns over debt owned by Dubai have highlighted that credit bubbles still exist within the world economic system.

3.9 Additional long term borrowing may mean – in the short term – additional deposits using the proposed new Lending List. In addition, long term deposits are gradually maturing, increasing balances. Members will be aware that the implementation of a new Lending List has been postponed during the credit crisis. The Council has used a severely reduced List since October 2008, and removed the building societies in April 2009 following the rescue of Dunfermline building society (see Appendix 2 for the existing List).

3.10 The Director of Finance is proposing:

- a) To implement the new Lending List in 2010 using the criteria previously seen by members in my report of March 2009, but to delay action until the issues surrounding the Dubai default are clarified. Exposure will be limited to developed markets with AA sovereign ratings.
- b) To remove lending limits at once to government agencies and other local authorities, as these offer full security.
- c) To include at once call accounts with appropriately rated banks, which currently offer improved interest rates, but require notice periods of at least seven days.
- d) To increase the duration of deposits. At present, no deposits are made for more than one month, but this reduces return opportunities sharply. As the banks included on the current list are implicitly guaranteed by the government (in that they are able to issue bonds), there may be opportunities to lend for up to one year at higher rates.
- e) As stated above, all the building societies were removed from the Lending List in April 2009 following the rescue of the Dunfermline Building Society. However, Nationwide Building Society continues to enjoy good credit ratings (on a par with the major lending banks) and has the security of being one of the original eight institutions allowed to issue bonds supported by the government. As it features regularly in the market, it is proposed to reinstate Nationwide to the List. Further information on other building societies will be available as they announce their annual results.
- f) To allow the external manager, Aberdeen Asset Management, to invest in both the government guaranteed Certificates of Deposit (CDs) and the individual bank CDs for each bank on the Lending List. This will give increased flexibility with a much reduced Lending List. However, it is likely that Aberdeen will continue to use individual bank CDs as these offer higher yields.



#### **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

CIPFA – Treasury Management Code of Practice 2009

DCLG – Draft Guidance to local authorities on investments - 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 & Corporate Resources

**MARTIN SPRIGGS**  
Head of Exchequer & Investment

## Brent treasury lending list – Icelandic banks

1 The current loans outstanding as at 30<sup>th</sup> November 2009 are:

Name	Amount £m	Yield %	Lending Date	Maturity Date
Global Treas. Fund (RBS)	0.1	Var.	Call	
Gartmore cash reserve	0.1	Var.	Call	
Northern Trust global fund	0.1	Var.	Call	
Cheshire BS	5.0	1.11	07.05.08	07/05/10
Heritable bank	8.4	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>48.7</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 30<sup>th</sup> November) 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	2.1	0.46	21.12.09
Lloyds TSB CD	1.0	0.54	04.02.10
RBOS CD	2.3	0.76	07.05.10
Abbey National CD	2.3	0.76	10.05.10
Nationwide BS CD	2.2	0.76	10.05.10
Lloyds CD	1.25	0.93	03.08.10
Barclays CD	2.7	0.93	04.08.10
RBOS CD	2.0	0.93	04.08.10
Clydesdale CD	2.5	1.14	24/11/10
Barclays CD	1.5	1.14	25.11.10
Nationwide CD	2.2	1.15	29/11/10
Accrued interest	0.35		
Abbey deposit account	<u>0.8</u>		
	<b><u>23.2</u></b>		

## Current Brent Lending List – 6th October 2009

### **A. UK BANKS – UP TO £10M for INDIVIDUAL banks or Banking GROUPS as indicated below**

**Rated AA- or above long, F1+ short term, B/C or above individual, 1 support. Up to one month**

Abbey National PLC

Alliance & Leicester – linked with Abbey as part of Bank Santander

Bank of Scotland

Lloyds Bank – linked with Bank of Scotland as part of Lloyds

Barclays Bank PLC

HSBC Bank

National Westminster

Royal Bank of Scotland – linked with Nat West as part of the RBOS group

### **B. MONEY MARKET FUNDS –UP TO £12M**

**Rated AAA**

Royal Bank of Scotland

Morgan Stanley Cash Fund

Northern Trust


### **C. DEBT MANAGEMENT OFFICE – NO LIMIT – up to one month**

### **D. OTHER LOCAL OR GOVERNMENT AUTHORITIES (UP TO £12M) – up to one month**

### **E. SUPRANATIONAL INSTITUTIONS – UP to £10M**

**AAA** 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

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	<p style="text-align: center;"><b>Audit Committee</b> 17 December 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 - Progress Report for April 2009 to November 2009</b>	

## 1. Summary

- 1.1. This report identifies the internal audit reports issued since 30<sup>th</sup> September 2009 and provides a summary of the work of Internal Audit for the period 1<sup>st</sup> April 2009 to 30<sup>th</sup> November 2009.

## 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 November 2009, a total of 733 days had been delivered against the overall Plan, made up of 562 Deloitte days and 171 in-house days. This represents 61% of the Plan and is a significant improvement to the position at the same time last year, at which point 646 days had been completed, representing 53% of the Plan.
- 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. Appendix 1 sets out the progress in detail.
- 3.4. As indicated in the report of this committee<sup>2</sup> in September 2009, 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 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 have been undertaken together with verification work in respect of the Local Area Agreement (LAA) Stretch Targets. The second phase of verification work on these targets is currently in progress with a deadline for submission to GOL brought forward from 31 January 2010 to 16<sup>th</sup> December 2009. Capital based contract audit work has also been undertaken with Brent Housing Partnership (BHP) and is being planned 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 more detailed summary of progress and key findings from audit 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 – 1<sup>st</sup> INTERNAL AUDIT PROGRESS REPORT, Audit Committee –24<sup>th</sup> September 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**

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



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## 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>In the report, a summary of the main findings from each audit is provided 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 which have been issued and are in the process of being agreed with management, or where audit fieldwork is currently in progress are also identified.</p> <p>As per the September 2009 report, as a new addition to the format of these reports, the full year's Plan is set out in Appendix B 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, 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 Standard in Schools (FMSiS) assessments in the primary schools, as previously agreed with the Committee.</p> <p>As at the end of November 2009, a total of 733 days had been delivered against the overall Plan, made up of 562 Deloitte days and 171 in-house days. This represents 61% of the Plan and is a significant improvement to the position at the same time last year, at which point a total of 646 days had been completed, representing only 53% of the Plan.</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>Currently, the number of contingency days has risen to 38. This is due to the number of audits being removed from the Plan exceeding those that have been added. Liaison with senior officers will continue to determine where further work may be required or be of value so as to utilise the balance. In the event that further work is not identified, it is likely that the number of Foundation schools audited in the current financial year will be increased, thereby reducing the number needing to be included in the 2010/11</p>




	Plan.
<b>Summary of Work Undertaken</b>	<p>As was the case in 2008/09, a significant amount of time has been spent in the year to date on undertaking further FMSIS assessments in the primary schools, in order to progress towards the deadline of having all primary schools assessed by 31 March 2010. In addition, work has also continued with Education Finance to help strengthen common control weaknesses identified as part of the assessments. A key area of focus has been budget monitoring.</p> <p>The target to assess all primary schools by the 31 March 2010 is likely to be achieved, although this continues to be reliant on each of the schools being ready for their scheduled assessments.</p> <p>In addition to the Schools, a wide range of systems audits and IT audits have been undertaken, as well as verification work in respect of the Local Area Agreement (LAA) Stretch Targets and the Supporting People Programme (SPP) Grant, as completed by the in-house team. Capital based contract audit work has also been undertaken with Brent Housing Partnership (BHP) and is being planned 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>

### 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 BHP audits are not included 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>	-	44% (7)	56% (9)	-

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 has only been one Council audit finalised for the year to date for which such an assessment has been applicable. However, it is also noted that the BHP audit on the responsive housing repairs function had an improved Direction of Travel. 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>	-	1	-

Overall, for the work finalised for 2009/10 to date, there has been a reduction in the proportion of Substantial assurance and an increase in Limited assurance reports compared with the distribution in 2008/09. Whilst there are a significant number of audits due to be completed in the remaining third of the year, this is an area of concern. It should be noted that, with one exception, each of the audits finalised to date have not been undertaken in either of the previous two financial years, hence the lack of a Direction of Travel assessment. There is not, therefore, a decline in assurance in previously audited areas.

	<p>The overall position will be monitored through the remainder of the year and a number of audits will be undertaken in quarter four for which a Direction of Travel assessment will be applicable. In addition, further follow-up work will be completed so as to assess the extent to which previously raised recommendations have been implemented.</p>																								
<b>FMSiS Assessments</b>	<p>As above, assessments of the primary schools have continued.</p> <p>The table below summarises the progress made and the outcomes of the assessments completed. Further details are set out on page 26.</p> <table><tr><th></th><th><b>Pass</b></th><th><b>Conditional Pass</b></th><th><b>Fail</b></th><th><b>In progress</b></th><th><b>Still to be assessed</b></th></tr><tr><td><b>2007/08</b></td><td>3</td><td>-</td><td>-</td><td>-</td><td>-</td></tr><tr><td><b>2008/09</b></td><td>31</td><td>1</td><td>-</td><td>-</td><td>-</td></tr><tr><td><b>2009/10</b></td><td>12</td><td>2</td><td>1</td><td>10</td><td>3</td></tr></table> <p>Members are reminded that a school achieving a ‘Conditional Pass’ are 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.</p> <p>It should be noted that the number shown as having achieved a ‘Pass’ in 2008/09 has increased since the previous meeting in September 2009 as a number of schools moved from a ‘Conditional Pass’ once they had provided the necessary further evidence to confirm that the outstanding actions had been satisfactorily addressed. One school remains outstanding from 2008/09. The deadline for their response to the Conditional Pass 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.</p>		<b>Pass</b>	<b>Conditional Pass</b>	<b>Fail</b>	<b>In progress</b>	<b>Still to be assessed</b>	<b>2007/08</b>	3	-	-	-	-	<b>2008/09</b>	31	1	-	-	-	<b>2009/10</b>	12	2	1	10	3
	<b>Pass</b>	<b>Conditional Pass</b>	<b>Fail</b>	<b>In progress</b>	<b>Still to be assessed</b>																				
<b>2007/08</b>	3	-	-	-	-																				
<b>2008/09</b>	31	1	-	-	-																				
<b>2009/10</b>	12	2	1	10	3																				
<b>Follow-Up of Previously Raised Recommendations</b>	<p>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. In each progress report, a summary of the overall level of implementation is provided, together with a breakdown of the</p>																								

status of implementation for each audit followed-up.

This approach has been further developed during 2009/10. 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 this is verified through an on-site visit. 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, going forwards, the intention is for the follow-up programme to be 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 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.

The table below summarises the degree to which recommendations have been implemented, based on the follow-up work that has been completed to date. Further details of the specific audits to which this relates are set out on page 30.

	Implemented	Partly Implemented	Not Implemented
<b>2008/09</b>			
<b>All Recommendations</b>	66 (35%)	74 (40%)	47 (25%)
<b>Priority 1 Recommendations</b>	15 (30%)	25 (50%)	10 (20%)
<b>2009/10</b>			
<b>All Recommendations</b>	3 (27%)	3 (27%)	5 (45%)
<b>Priority 1</b>	1 (17%)	2 (33%)	3 (50%)

	<table><tr><td><b>Recommendations</b></td><td></td><td></td><td></td></tr></table> <p>The figures above relate to only two audits for which the follow-up work has been fully completed in the year to date. Therefore, it is not possible to draw any comparisons between this and the implementation rates shown for the follow-up work undertaken in 2008/09. A review of completed self assessments is being undertaken to establish what visits are required over the following months.</p>	<b>Recommendations</b>							
<b>Recommendations</b>									
<b>West London Framework</b>	<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>The Committee will be updated on any specific developments in future meetings, as appropriate.</p>								
<b>Customer Satisfaction</b>	<p>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.</p> <p>11 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.</p> <p>The detailed breakdown of this feedback is set out on page 31 this report.</p> <table><tr><th>Year</th><th>Average Overall Rating</th></tr><tr><td>2007/08</td><td>3.88</td></tr><tr><td>2008/09</td><td>4.40</td></tr><tr><td>2009/10 (to date)</td><td>4.10</td></tr></table>	Year	Average Overall Rating	2007/08	3.88	2008/09	4.40	2009/10 (to date)	4.10
Year	Average Overall Rating								
2007/08	3.88								
2008/09	4.40								
2009/10 (to date)	4.10								

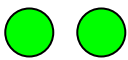



## Detailed summary of work undertaken

This section summarises the internal audits and FMSIS assessments commenced since 1 April 2008. A summary of the main findings and the Assurance Opinions are only provided for internal audits for which the final report has been issued. Please note that only priority 1 recommendations are listed.

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

### Assurance Opinions




There are four categories of assurance. These are defined as follows:

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

### Direction of Travel

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

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

### Recommendation Priorities

Recommendations are categorised according to the 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 for any finalised reports is included. 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 4 December 2009	Assurance Opinion	
Stonebridge Estate – Hyde Contract Management	<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>• The review of the monthly KPI spreadsheet should be formalised, so as to record the following: <ul style="list-style-type: none"> <li>○ Any instances where actual performance falls below required performance;</li> <li>○ Reasons provided for this;</li> <li>○ Any required corrective actions to address the situation;</li> <li>○ Responsibility for implementing the corrective actions; and</li> <li>○ Deadline for implementation.</li> </ul> </li> </ul> <p>Implementation of the required actions should be followed up on regular basis, and the KPI data and associated action plans should be discussed in the quarterly contractor meetings; and</p> <ul style="list-style-type: none"> <li>• The KPI figures provided by Hillside should be checked against relevant supporting evidence.</li> </ul> <p>If management consider that it is not practical to check all KPI figures every month, then consideration should be given to doing so on a sample basis. However, if this option is chosen by management, the sample size and frequency of checking should be formally defined, with consideration given to the level of assurance required on the validity and accuracy of the data.</p>	Substantial	

Audit	Status as at 4 December 2009	Assurance Opinion	
	<p>Three priority 2 and one priority 3 recommendation 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>		
Traffic Management - Notifications	<p>Final Report.</p> <p>The work on Traffic Management was split into two key elements. The first covered the existing arrangements with regards to the system of 'notifications' under the New Road &amp; Street Works Act 1991. The second element was in relation to the implementation of the new London operational Permit Scheme (LoPS). Work on the LoPS is set out separately below.</p> <p>Two priority 1 recommendations were raised. These were as follows:</p> <ul style="list-style-type: none"> <li>A formal policy should be developed detailing when FPNs should be issued and where it is appropriate for these to be cancelled.</li> </ul> <p>In addition, a regular report of all FPNs that have not been issued should be produced, and checks should be completed to ensure that FPNs have only been cancelled in line with the policy.</p> <p>It is also recommended that a record should be maintained of any warnings that are issued to promoters. This should be reviewed on a regular basis so as to confirm that warnings are being issued where a decision is made to cancel an FPN, as well as to check that an excessive number of warnings is not being given to any one contractor rather than issuing an FPN.</p> <p>Management should also determine whether the system can be configured to take account of weekends and bank holidays to save officer time when assessing the appropriateness of FPNs.; and</p> <ul style="list-style-type: none"> <li>Further steps should be taken to resolve current server and firewall issues as the ability to issue notices to all promoters is key to both FPNs and the application of the new London operational Permit Scheme (LoPS).</li> </ul> <p>In the interim period, until the issues are resolved, it is recommended that</p>	Substantial	


Audit	Status as at 4 December 2009	Assurance Opinion	
	<p>an agreement is established with the promoter in question to issue FPNs in a different format.</p> <p>Six priority 2 and two 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>		
Traffic Management - London operational Pilot Scheme (LoPS)	<p>Final Report.</p> <p>As above, in addition to work on the controls in place around 'notifications', the controls being planned / implemented as part of the Council's preparations for becoming a permitting authority under Part 3 of the Traffic Management Act 2004 were also examined. In 2008 a number of London Highway Authorities, including Brent, joined together to prepare a scheme whereby authorities are individually able to adopt a common set of rules. The scheme is known as the London operational Permit Scheme (LoPS). At this stage an assurance opinion has not been provided as the controls were still being embedded.</p> <p>Two priority 1 recommendations were raised as a result of this element of the work. These were as follows:</p> <ul style="list-style-type: none"> <li>• Response times for assessing permit applications should be formally monitored, including monitoring of outstanding applications approaching the deadline.</li> </ul> <p>Management should determine whether reports can be generated from the Symology system to facilitate this, including reports of:</p> <ul style="list-style-type: none"> <li>○ All outstanding permit applications with their corresponding deadlines; and</li> <li>○ Statistics of response time performance; and</li> </ul> <ul style="list-style-type: none"> <li>• Guidance notes should be developed and criteria for the application of conditions should be clearly defined and communicated to all relevant</li> </ul>	N/A	N/A

Audit	Status as at 4 December 2009	Assurance Opinion	
	<p>officers.</p> <p>It is suggested that key elements for inclusion, include the following:</p> <ul style="list-style-type: none"> <li>○ Details of the minimum set of conditions for all works; and</li> <li>○ Standard conditions for specific circumstances. For example, major works on a category 1 road, or event days and other scenarios where works are likely to have a large impact on traffic management within the borough.</li> </ul> <p>Management should then consider undertaking spot checks to assess the level of compliance with such guidance.</p> <p>In addition, the history of sanctions and non-compliance should be reviewed on a regular basis, and decisions made on whether there is a need to apply additional conditions to certain promoters or to update either the minimum or standard set of conditions.</p> <p>One priority 2 recommendation was 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>		
Blue Badges	<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>• Management should review the current stock management arrangements and formally document and circulate the agreed procedures. As a minimum, these should include the following: <ul style="list-style-type: none"> <li>○ Maintenance of up to date stock records, recording all new deliveries and all stock used, so as to provide a running balance of the stock held;</li> <li>○ Periodic stock checks between the physical stocks held and the stock records. Such checks should be undertaken by at least two senior</li> </ul> </li> </ul>	Substantial	

Audit	Status as at 4 December 2009	Assurance Opinion	
	<p>officers other than those with access to the stocks. Each of these officers should sign the records on completion to confirm the balances as correct with no missing stock. In the event that discrepancies are identified, these should be reported to management for following-up. If management cannot determine the reason for any variance and are concerned that stock may have been misappropriated, this should be referred to the Audit &amp; Investigations Team to agree the next steps; and</p> <ul style="list-style-type: none"> <li>○ Handling of void badges. The badges should be marked as 'void' and retained so as to help ensure that the void badge does not leave the custody of the CSDP Team and cannot be re-used.</li> </ul> <p>In addition, as part of the stock checking process, it is recommended that the CSDP Senior Manager should undertake spot checks to confirm that the assessment process has been fully and accurately applied for a sample of badges issued.</p> <p>A segregation of duties should be introduced into the administration of replacement badges, with at least one other officer being responsible for confirming that the required information has been provided prior to a replacement badge being issued.</p> <p>Two priority 2 recommendations were also 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>		
Windows Operating System (IT)	<p>Final Report.</p> <p>No priority 1 recommendations were raised as a result of this audit.</p> <p>However, five priority 2 and six 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	


Audit	Status as at 4 December 2009	Assurance Opinion	
Pensions Application Audit (IT)	<p>Final Report.</p> <p>No priority 1 recommendations were raised as a result of this audit.</p> <p>However, six priority 2 and two 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> <p>The Direction of Travel is unchanged since the time of the previous audit, for which a Substantial assurance was also given.</p>	Substantial	
Housing Repairs & Maintenance (BHP)	<p>Final Report.</p> <p>To be reported to the next 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 in 2008/09.</p>	Substantial	
Cleaning and Grounds Maintenance Contract Management (BHP)	<p>Final Report.</p> <p>Reported to the BHP Audit &amp; Finance Sub-Committee in October 2009.</p>	Substantial	
Business Continuity Planning (BHP)	<p>Final Report.</p> <p>To be reported to the next meeting of the BHP Audit &amp; Finance Sub-Committee.</p>	Substantial	
Sundry Debt Recovery Team	<p>Final Report.</p> <p>Through discussion with management, a decision was made not to proceed with a full audit at this time, but rather to undertake an exercise to consider key risks and key controls relating to the new arrangements for debt recovery.</p> <p>A report was provided to management which set out the key risks relating to the new arrangements and the extent to which controls have either already been implemented or are being planned for implementation. The adequacy of these was assessed so as to determine any further controls for management to consider.</p>	N/A	N/A


Audit	Status as at 4 December 2009	Assurance Opinion	
	The report included an action plan, which management completed, of all remaining controls to be implemented, covering both those that were already being planned and those highlighted for additional consideration.		
Supporting People Programme Grant	<p>Final Report.</p> <p>Work was undertaken to certify this grant. Grant certified with qualifications. Six priority 1 recommendations were raised as a result. These were as follows:</p> <ul style="list-style-type: none"> <li>• In future, sufficient notice should be given to the Internal Audit Team, where the grant requires an audit certificate.</li> <li>• Adequate arrangements should be put in place to ensure the SPP Statement of Grant Usage is supported by adequate working papers prior to the commencement of the certification process. Training and guidance should be provided for all officers involved in the preparation of grant claims which require certification. Adequate arrangements should also be implemented to ensure that the working paper file for the grant claim is reviewed by a senior officer prior to being passed on for certification.</li> <li>• In future, as part of the preparation of the SPP Statement of Grant Usage the officer preparing the statement should be required to ensure that reconciliation is prepared indicating how the balances on the submitted grant statements tie up to the balances on the general ledger and year-end return.</li> <li>• It is recommended that the procedures making payments to block subsidy service providers be reviewed as soon as possible and controls be established to ensure that payments are made only on the basis of invoices submitted by service providers.</li> <li>• Officers responsible for the certification and authorisation of the monthly budget spreadsheets detailing the payments to be made to service providers and used as the basis of making payments should be reminded of the need to ensure that appropriate checks are undertaken to ensure the validity of the amounts due prior to authorising the budget</li> </ul>	N/A	N/A


Audit	Status as at 4 December 2009	Assurance Opinion	
	<p>spreadsheets for payment. Monthly budget spreadsheets should be signed and dated as evidence of appropriate checks having been undertaken by the authorising officer. The authorised limits of officers who authorise the payment of service providers listed on the budget spreadsheets be reviewed to determine whether their authorisation limits are in fact appropriate.</p> <ul style="list-style-type: none"> <li>Management should investigate the reasons for the differences between the contract values indicated in the signed contracts with service providers and amounts subsequently invoiced by service providers for the sample of contracts where we noted discrepancies during the course of the audit. Management should ensure that checks are always carried out to ensure that amounts invoiced by service providers are in agreement with values indicated on signed contract agreements.</li> </ul> <p>In addition 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>		
Risk Management (BHP)	<p>Final Report.</p> <p>Reported to the BHP Audit &amp; Finance Sub-Committee in October 2009.</p>	N/A	N/A
Watling Gardens TMO (BHP)	<p>Final Report.</p> <p>To be reported to the next meeting of the BHP Audit &amp; Finance Sub-Committee.</p>	N/A	N/A
Private Sector Procurement Team	<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>All outstanding declaration of interest forms should be completed and retained on file.</li> </ul>	Limited	




Audit	Status as at 4 December 2009	Assurance Opinion	
	<p>The dates at which such declarations are due for renewal should be monitored and checks made to ensure that these are met in all cases.</p> <p>In addition, staff should be reminded of the need to update their declaration during the year if appropriate;</p> <ul style="list-style-type: none"> <li>• A file checklist should be developed, detailing all documentation that is required to be completed / obtained before a property can be accepted onto the scheme.</li> </ul> <p>It is suggested that the checklist is also extended to cover all of the checks and documentation required to be completed as part of the process of allocating a property to a prospective tenant.</p> <p>In addition, management should undertake regular checks on the extent to which the documentation held is complete, as per the checklist, and the extent to which inspections are being undertaken within the 48 hour target. If a decision is made not to check 100% of cases, management should determine an appropriate sample size and frequency, taking account of the level of risk exposure in relation to those not checked; and</p> <ul style="list-style-type: none"> <li>• Management should review the current arrangements regarding the inspection of new properties, specifically with regards to fire safety checks.</li> </ul> <p>It is suggested that the Property Inspection Form is amended to include a section for recording checks on the ease of escape from the building in the event of a fire, together with checks on the furniture within the property to confirm its compliance with fire safety standards.</p> <p>In addition, management should formally review the decision not to undertake ongoing checks on properties in relation to health and safety standards.</p> <p>An option for consideration may be for the Council to request that landlords submit annual copies of relevant certificates where a tenancy agreement is entered beyond 12 months.</p> <p>Alternatively, if a choice is made not to amend the current arrangements then management should formally acknowledge the risk exposure being</p>		


Audit	Status as at 4 December 2009	Assurance Opinion	
	<p>accepted.</p> <p>Three priority 2 and two 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>		
Section 106	<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>An official invoice should be raised and issued to the developers, as and when the obligations are triggered, as opposed to when the payment is received from the developer.</li> </ul> <p>Overdue debtors should then be monitored regularly and any outstanding amounts should be followed up. Consideration should be given to liaising with the Council's new Sundry Debt Recovery Team with regards to such monitoring and follow-up action.</p> <p>In addition, a senior officer, other than the S106 Officer, should check, on a periodic basis, that an invoice has been raised against all triggered agreements;</p> <ul style="list-style-type: none"> <li>The current status in relation to the implementation of NFOs identified through site visits should be recorded against each development.</li> </ul> <p>In conjunction with recommendation no.1, as part of their check to ensure that all invoices have been raised where necessary, a senior officer other than the S106 Officer should also review the spreadsheet on a periodic basis to confirm that NFO details are being recorded in full and also that all NFOs have been checked and confirmed as received as per the original agreement; and</p> <ul style="list-style-type: none"> <li>Records should be maintained of all enforcement actions taken, including the reasons for not taking any actions.</li> </ul>	Limited	

Audit	Status as at 4 December 2009	Assurance Opinion	
	<p>In addition, these should be subject to periodic review by a senior officer other than the S106 Officer, to confirm that the actions taken were appropriate.</p> <p>Three 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>		
Registration and Nationality Service	<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 arrangements regarding the management of stocks of certificates, focusing on measures to mitigate the risk of blank certificates being used inappropriately or without charge.</li> </ul> <p>A suggestion for consideration is as follows:</p> <ul style="list-style-type: none"> <li>○ All payments should be made directly to the General Office, as opposed to the current arrangement whereby payments are taken by the Registrars;</li> <li>○ The records of income, as per EPOS, should then be reconciled to the records of certificate issue, as maintained by the Registrars, on a regular basis. In addition, a physical check on the stock of blank certificates should be undertaken and agreed to the reconciliation. The overall reconciliation should be documented and reviewed and signed off by a senior officer in all cases;</li> <li>○ Any discrepancies identified between the income on EPOS, the number of certificates recorded as issued by the Registrars, and the actual physical stock of blank certificates should be promptly followed-up.</li> </ul> <p>In the event that management opt not to make any amendments to the current arrangements, then there should be an acknowledgement of the</p>	Limited	

Audit	Status as at 4 December 2009	Assurance Opinion	
	<p>risks being faced and the exposure being accepted by management;</p> <ul style="list-style-type: none"> <li>The cash banking summary pro-forms should be amended to include the following: <ul style="list-style-type: none"> <li>A line requiring the total income collected as per EPOS to be recorded;</li> <li>A line for recording any variance between the above total and the actual total monies to be banked; and</li> <li>A space for recording an explanation for any such variance.</li> </ul> </li> </ul> <p>To support the total figure taken from EPOS, the relevant reports should be run from EPOS and attached to the cash banking summary sheet in all cases.</p> <p>The above should be reviewed by a senior officer following completion, and the cash banking summary pro-forma should also be updated to record a space for this reviewing officer to sign and date the document; and</p> <ul style="list-style-type: none"> <li>Management should carry out a spot check on Daily Stock Sheets to confirm compliance with the need to record cash counts and to follow-up any discrepancies.</li> </ul> <p>This should also include a compliance check in relation to recording float count in the evening and signing off the Daily Stock Sheet.</p> <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>		
Children's Centres Financial Management	<p>Final Report.</p> <p>Seven priority 1 recommendations were raised as a result of the audit. These were as follows:</p> <ul style="list-style-type: none"> <li>Management should review the financial discussion and reporting process within Children's Centres' Local Management Boards/Governing Bodies;</li> </ul>	Limited	

Audit	Status as at 4 December 2009	Assurance Opinion	
	<ul style="list-style-type: none"> <li>• Management should review the appropriateness of the Scheme of Delegation for the Children's Centres operating in a school setting. The Governing Body and Local Management Board should approve the appropriateness of this Scheme once it is finalised;</li> <li>• Management should review the cash handling procedures and income administration across Children's Centres. As part of the review management should determine the key procedures that the Centres are expected to follow. Following the review, the procedure notes should be provided to all Centres and these should be reviewed on a regular basis;</li> <li>• Management should clarify purchasing procedures with Centre Managers;</li> <li>• Guidance notes should be provided to all Children's Centres in respect of apportionment of shared resources;</li> <li>• Management should review the budget setting and monitoring process across all Children's Centres, with regard to the type of information required, the adequacy and appropriateness of budgeted levels and the regularity of review by the Council; and</li> <li>• Management should review the arrangements concerning the supplementary payments made to school staff members, determining whether the support given is in addition to their normal working hours at the school, or whether the time input to the Centres is at the detriment of the time required to be input to the schools.</li> </ul> <p>In addition, management should consider introducing a requirement for schools in receipt of such monies to have to report back to the Council on the details of any supplementary payments made, including the benefits realised from these by the Centres and confirmation that their have not been any associated costs incurred by the schools through lost time input by recipient members of staff.</p> <p>One priority 2 recommendation was raised where changes can be made in order to achieve greater control.</p>		

Audit	Status as at 4 December 2009	Assurance Opinion	
	<b>All recommendations were accepted for implementation by management.</b>		
Treasury Management	<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>• Management should ensure that the lending list is updated in all cases following any decision to withdraw an institution or to amend its approved credit limit, as determined by the Head of Exchequer &amp; Investment outside of any full review exercise; and</li> <li>• Management should review the current arrangements and consider whether it is appropriate to continue to allow the dealers to place a deal with only retrospective review and approval.</li> </ul> <p>In making such a decision there should be a consideration of the risks involved against the need to maintain operational efficiency and effectiveness. It should also be noted that the introduction of a requirement for the dealer to seek approval prior to placing a deal would still be reliant on the dealer remembering to seek such an approval, as opposed to them being unable to actually place the deal without it.</p> <p>If it is determined that it is not practical to have two senior managers review and approve the deal prior to it being placed, consideration could be given to whether this full retrospective review is maintained, but with the introduction on one approval prior to the deal being placed.</p> <p>All relevant staff should also be reminded of the importance of ensuring that the correct credit limit is recorded on each deal note, as per the approved lending list.</p> <p>One priority 2 recommendation was 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>	Limited	

Audit	Status as at 4 December 2009	Assurance Opinion	
Treasury Management (BHP)	Final Report. Reported to the BHP Audit & Finance Sub-Committee in October 2009.	Limited	

### 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 outstanding, or where the audit is currently in progress. As noted in the Executive Summary, Members will be provided with the assurance opinions and key findings once these have been finalised.

<b>Audit</b>	<b>Status as at 4 December 2009</b>
ARK Academy (2008/09 audit)	Awaiting Management Responses to the Draft Report – responses are overdue.
John Kelly Boys School	Awaiting Management Responses to the Draft Report – responses are overdue.
John Kelly Girls School	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.
Transportation	Awaiting Management Responses to the Draft Report – responses are overdue.
DomDoc EDM System (BHP) (IT)	Awaiting Management Responses to the Draft Report.
Accuserv Application (BHP) (IT)	Awaiting Management Responses to the Draft Report.
Corporate Health & Safety	Awaiting Management Responses to the Draft Report.
Government Procurement Cards	Awaiting Management Responses to the Draft Report.
Cash Receipting Application Audit (IT)	Awaiting Management Responses to the Draft Report.
Grants to Voluntary organisations	Awaiting Management Responses to the Draft Report.
Insurance	Draft Report to be issued
Houses in Multiple Occupation	Draft Report to be issued.
South Kilburn TMO (BHP)	Draft Report to be issued.
LAA Stretch Targets 2006-2009 Certification (14 Stretch Targets to certify)	Phase 2 of Certification Work currently in Progress
Non Stop Gov (IT)	In progress.



Audit	Status as at 4 December 2009
Contact Point (IT)	In progress.
e-Recruitment (IT)	In progress.
LAGAN Post Implementation (IT)	In progress.
Council Tax	In progress.
NNDR	In progress.
Appointeeships and Deputyships	In progress.
Adult Social Care Establishments	In progress.
Housing Rents BHP	In Progress.
Adult Social Care – Data Quality Audit	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.




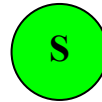
School	Assessment Outcome	Status as at 4 December 2009
<b>2008/09 Assessments</b>		
Mitchell Brook Primary School	Pass	Complete
Barham Primary School	Pass	Complete
Princess Frederica C.E Primary School	Pass	Complete
Park Lane Primary School	Pass	Complete
Salisbury Primary School	Pass	Complete
John Keble C.E Primary School	Conditional Pass	Extension to 11 December 2009 regarding budget monitoring.
<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 4 December 2009
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	Conditional Pass	Currently awaiting further information from the School in response to the gaps identified as part of the Conditional Pass.
Brentfield Primary School	Conditional Pass	Currently awaiting further information from the School in response to the gaps identified as part of the Conditional Pass.
Northwest London Jewish Day Primary School	Fail	School has been given 12 months within which to implement recommendations in order for a re-assessment to be undertaken.
Furness	In progress	N/A
Hay Lane	In progress	N/A
Malorees Junior School	In progress	N/A
Manor Primary School	In progress	N/A
St Robert Southwell Primary School	In progress	N/A
Roe Green Infants School	In progress	N/A
Roe Green Junior School	In progress	N/A

School	Assessment Outcome	Status as at 4 December 2009
Woodfield Primary School	In progress	N/A
Torah Temimah Primary School	In progress	N/A
St. Mary Magdalen Primary School	In progress	N/A
Chalkhill Primary School	Still to be assessed	N/A
Vernon House School	Still to be assessed. Assessment postponed at request of School.	N/A
Braintcroft Primary School	Still to be assessed. Assessment postponed at request of School	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 to provide Members with an overview of the work completed for the year to date, together with the assurance opinions awarded.

<b>Audit</b>	<b>Status as at the December 2009 Audit Committee meeting</b>	<b>Assurance Opinion</b>	
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	
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	
Oracle I-Procurement Sanity Check	Final Report. Previously reported to the Audit Committee in September 2009.	N/A	N/A

## Follow-Up of Recommendations

The table below provides a summary of the findings from the follow-up work that has been completed for the year to date.

The approach is explained within the Executive Summary. Recommendations are classified as either Implemented (I); Partly Implemented (PI); Not Implemented (NI); or in some cases no longer applicable (N/A), for example if there has been a change in the systems used.

For any recommendations found to have only been partly implemented or not implemented at all, further actions have been raised with management. In all cases these further actions have been agreed, together with responsible officers and new deadlines for completion. These further actions will be added to our rolling follow-up programme as explained in the Executive Summary to this report.

The table includes a column to highlight any priority 1 recommendations which were found not to have been fully implemented. Please note that we have not replicated the full recommendation, only the general issue to which they relate.

Please note that we have not included any BHP follow-up work within this table as that is reported on separately to the BHP Audit & Finance Sub-Committee.

Audit Title	Priority 1			Priority 2			Priority 3			Total				Priority 1 Recommendations not implemented
	I	PI	NI	I	PI	NI	I	PI	NI	I	PI	NI	N/A	
Section 52(9) Waste Charges	-	-	3	-	-	1	1	-	-	1	-	4	-	<ul style="list-style-type: none"> <li>Review of current methodology for compiling the monthly High Level Monitoring figures;</li> <li>Determination of a process for verifying and validating the monthly figures and quarterly invoices received from West London Waste Authority; and</li> <li>Follow-up of any variances identified from the verification and validation process.</li> </ul>
Grants to Voluntary Organisations	1	2	-	1	1	1	-	-	-	2	3	1	-	
	1	2	3	1	1	2	1	-	-	3	3	5	-	

## 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
Cleaning and Grounds Maintenance (BHP)	5	5	5	5	4	5	5

<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>
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	
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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.

Please note that the shaded cells indicate those audits which were not yet scheduled to have started, as per the original profile.

**Table 1 – Overall Plan**

AUDIT	DAYS	PROPOSED COVERAGE	KEY CONTACT	ORIGINAL PROPOSED TIMING	STATUS AS AT 4 DECEMBER
<b>CROSS COUNCIL AUDITS (70 Days) (increased to 73 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 (reduced to 0)	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	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

AUDIT	DAYS	PROPOSED COVERAGE	KEY CONTACT	ORIGINAL PROPOSED TIMING	STATUS AS AT 4 DECEMBER
		management to ensure that any officers declaring interests / gifts & hospitality are operating in an appropriate manner.			Plan.
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's Internal Audit and Consulting teams.  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

AUDIT	DAYS	PROPOSED COVERAGE	KEY CONTACT	ORIGINAL PROPOSED TIMING	STATUS AS AT 4 DECEMBER
					Improvement & Efficiency Strategy and so no further input from Internal Audit is 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	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	
Contract Management Summary Report	1 <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 Qtr 3	In Progress.
Carbon Reduction Commitment	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 & Resources	Added for Qtr 4	
Cross Borough Work	15 <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 Qtr 4. The scope of this has yet to be determined.	TBC	Added for Qtr 4	
<b>FINANCE &amp; CORPORATE RESOURCES (108 Days) (reduced to 88)</b>					

AUDIT	DAYS	PROPOSED COVERAGE	KEY CONTACT	ORIGINAL PROPOSED TIMING	STATUS AS AT 4 DECEMBER
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	Work to commence in December 2009
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 reconciliations.	Mark Peart – Head of Financial Management	Qtr 4	
Sundry Debt	8	To focus on the systems of control being	Sarah Cardno –	Qtr 2	Final Report issued.

AUDIT	DAYS	PROPOSED COVERAGE	KEY CONTACT	ORIGINAL PROPOSED TIMING	STATUS AS AT 4 DECEMBER
Recovery Team		designed and implemented by the new Sundry Debt Recovery Team to take responsibility for debt recovery across the Council.	Exchequer Services Manager		
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 Management	Qtr 4	As above.
<b>CHILDREN &amp; FAMILIES (220 Days)</b> ( <i>increased to 253 days</i> )					

AUDIT	DAYS	PROPOSED COVERAGE	KEY CONTACT	ORIGINAL PROPOSED TIMING	STATUS AS AT 4 DECEMBER
FMSiS Assessments	111	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 part of the 2010/11 Plan.
Child Protection	15 ( <i>reduced</i> )	To feed into the Improvement & Efficiency review being undertaken in this area.	Graham Genoni – Assistant	To be determined	Time was input into scoping and preparing for this audit.

AUDIT	DAYS	PROPOSED COVERAGE	KEY CONTACT	ORIGINAL PROPOSED TIMING	STATUS AS AT 4 DECEMBER
	to 2)	Specific scope and approach still to be discussed with the Assistant Director of Social Care.	Director of Social Care		<p>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.</p> <p>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.</p>
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.
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	Bharat Jashapara – Head of Finance – Children & Families	Qtr 4	



AUDIT	DAYS	PROPOSED COVERAGE	KEY CONTACT	ORIGINAL PROPOSED TIMING	STATUS AS AT 4 DECEMBER
		raising of invoices; receipt of income; debt recovery and write-off; payments; BACs and cheque controls; journals; and reconciliations.			
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	To be undertaken in Qtr 4.
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 & 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.</i>	Krutika Pau – Assistant Director of Strategy & Partnerships	Qtr 1	Final Report issued.

AUDIT	DAYS	PROPOSED COVERAGE	KEY CONTACT	ORIGINAL PROPOSED TIMING	STATUS AS AT 4 DECEMBER
		<i>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	Deferred to Qtr 4.
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 Qtr 2	Draft Reports issued to Education Finance as opposed to the schools. Awaiting management responses – overdue.
Foundation Schools (Audit + FMSiS Re-Assessment)	60 ( <i>added to the Plan</i> )	Audits of five 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 Qtr 4	
<b>ENVIRONMENT &amp; CULTURE (107 Days) (<i>reduced to 94 days</i>)</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	Sue Harper – Assistant Director, Leisure & Regeneration	Qtr 3/4	Deferred to Qtr 3 due to staff availability issues and other urgent projects.

AUDIT	DAYS	PROPOSED COVERAGE	KEY CONTACT	ORIGINAL PROPOSED TIMING	STATUS AS AT 4 DECEMBER
		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.			
Transportation	15 (reduced to 12)	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	Draft Report issued – awaiting management responses – overdue.
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	
Traffic Management Act – Part 3	10 (increased to 15)	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.	Irfan Malik – Assistant Director, Streets & Transportation	Qtr 2	Final Report issued.

AUDIT	DAYS	PROPOSED COVERAGE	KEY CONTACT	ORIGINAL PROPOSED TIMING	STATUS AS AT 4 DECEMBER
		<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>			
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 (reduced to 0)	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	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	Postponed to Quarter 4 from 2 due to restructuring of service.
Veolia Contract Management (Contract Audit)	10 (increased to 15)	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 (reduced to 0)	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>					

AUDIT	DAYS	PROPOSED COVERAGE	KEY CONTACT	ORIGINAL PROPOSED TIMING	STATUS AS AT 4 DECEMBER
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 3/4	
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	Draft Report to be issued
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.
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	10	To focus on the controls in place around	Maggie	Qtr 3	Final Report issued.

AUDIT	DAYS	PROPOSED COVERAGE	KEY CONTACT	ORIGINAL PROPOSED TIMING	STATUS AS AT 4 DECEMBER
Estate – Hyde Contract Management		the management of the Stonebridge Estate contract with Hyde Group.	Rafalowicz – Assistant Director, Housing Strategy & Regeneration		
<b>COMMUNITY CARE (111 Days)</b>					
Transformation – Assessment & Care Management	20	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.	Christabel Shawcross – Assistant Director, Community Care	Qtr 4	
Transformation – Self Directed Support	10	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.	Lance Douglas – Assistant Director, Quality & Support	Qtr 2	Most appropriate timing and scope still to be determined with the Assistant Director, Quality & Support.
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	Linda Martin – Head of Service Development &	Qtr 3	Draft Report issued – awaiting management responses.

AUDIT	DAYS	PROPOSED COVERAGE	KEY CONTACT	ORIGINAL PROPOSED TIMING	STATUS AS AT 4 DECEMBER
		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.	Commissioning		
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.	Gordon Fryer – Assistant Director, Finance & Resources	Qtr 4	
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	In Progress.
Mental Health Integration with Central & North West London	10	To focus on the controls being planned and implemented as part of the integration of the Mental Health Service and Central &	Christabel Shawcross – Assistant Director,	Q4	

AUDIT	DAYS	PROPOSED COVERAGE	KEY CONTACT	ORIGINAL PROPOSED TIMING	STATUS AS AT 4 DECEMBER
Mental Health Trust		North West London Mental Health Trust.	Community Care		
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 adequacy of these controls as opposed to on their effectiveness at this stage.	Christabel Shawcross – Assistant Director, Community Care	Qtr 1	Draft report issued – awaiting management responses - overdue
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.</i>	Christabel Shawcross – Assistant Director, Community Care	Qtr 2	In Progress.



AUDIT	DAYS	PROPOSED COVERAGE	KEY CONTACT	ORIGINAL PROPOSED TIMING	STATUS AS AT 4 DECEMBER
		<i>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>			
<b>POLICY &amp; REGENERATION (45 Days) (reduced to 25)</b>					
Performance Management/LAA Stretch Targets Certification	15	Specific use of these days is still to be discussed with the Assistant Director, Policy.  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.	Cathy Tyson – Assistant Director, Policy	Qtr 2 & 3	14 Stretch Targets to be certified. Phase 2 of Certification Work in Progress
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 (reduced to 0)	Specific use of these days is still to be discussed with the Assistant Director of Regeneration	Andy Donald – Assistant Director of	To be determined	Initial discussions were held with the Assistant Director of Regeneration to discuss

AUDIT	DAYS	PROPOSED COVERAGE	KEY CONTACT	ORIGINAL PROPOSED TIMING	STATUS AS AT 4 DECEMBER
			Regeneration		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) (reduced to 0 days)</b>					
Equalities	10 (reduced to 0)	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 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.	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.
<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 (reduced	See separate plan – Table 2	-	-	See Table 2.

AUDIT	DAYS	PROPOSED COVERAGE	KEY CONTACT	ORIGINAL PROPOSED TIMING	STATUS AS AT 4 DECEMBER
	<i>to 136)</i>				
Payroll	15	Annual systems audit focussing on key controls and any systems changes.	Simon Britton – Head of The People Centre	Qtr 3	Head of Payroll has requested a deferral to Qtr 4 due to resources being focused on implementation of the sickness absence module in October 2009.
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 candidates; and approval of job awards.	Simon Britton – Head of The People Centre	Qtr 1	Final Report issued.
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	To liaise with Simon Britton
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	Aktar Choudhary – Assistant Director,	To be determined	Contract Audit Manager has met with Assistant Director, Business Transformation to discuss potential coverage.

AUDIT	DAYS	PROPOSED COVERAGE	KEY CONTACT	ORIGINAL PROPOSED TIMING	STATUS AS AT 4 DECEMBER
		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.	Business Transformation		Most appropriate timing still to be determined.
<b>OTHER</b>					
<b>Brent Housing Partnership (BHP)</b>	128 (increased to 138)	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 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	N/A	Throughout the year	In progress.

AUDIT	DAYS	PROPOSED COVERAGE	KEY CONTACT	ORIGINAL PROPOSED TIMING	STATUS AS AT 4 DECEMBER
		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 38)	To be allocated to any new developments or new / emerging risk areas during the course of the year.  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.	N/A – dependent upon work required	N/A – dependent upon work required	The contingency balance has fallen as a result of the various movements indicated in the Plan, with the additions exceeding the reductions by five days.  The low contingency balance is not a concern in terms of being able to respond to any requests that may arise for additional work during the remaining months, given that a number of audits have been indicated above as potentially dropping out of the Plan.

AUDIT	DAYS	PROPOSED COVERAGE	KEY CONTACT	ORIGINAL PROPOSED TIMING	STATUS AS AT 4 DECEMBER
<b>TOTAL</b>	<b>1211</b>				

Table 2 – IT Plan

AUDIT	DAYS	PROPOSED COVERAGE	KEY CONTACT	PROPOSED TIMING	STATUS AS AT 4 DECEMBER
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AUDIT	DAYS	PROPOSED COVERAGE	KEY CONTACT	PROPOSED TIMING	STATUS AS AT 4 DECEMBER
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</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	
Oracle Pre-Implementation (Environment & Culture and Finance & Corporate Resources)	10	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	Mark Peart – Head of Financial Management	Qtr 3	Fieldwork starts in December.

AUDIT	DAYS	PROPOSED COVERAGE	KEY CONTACT	PROPOSED TIMING	STATUS AS AT 4 DECEMBER
		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.			
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	Deferred due to ongoing delays with implementation. Most appropriate timing still to be determined.
Frameworki 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 feed into the provision of the required assurances.	Bhavna Bilimoria – Special Project Manager, Children & Families	To be determined	In Progress.
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	Sarah Cardno – Exchequer Services Manager	Qtr 3	Draft Report issued – awaiting management responses.



AUDIT	DAYS	PROPOSED COVERAGE	KEY CONTACT	PROPOSED TIMING	STATUS AS AT 4 DECEMBER
		benefits realised by the project.			
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	In Progress.
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	
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	In progress.

AUDIT	DAYS	PROPOSED COVERAGE	KEY CONTACT	PROPOSED TIMING	STATUS AS AT 4 DECEMBER
IT Project Management	10 (reduced to 0)	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 the benefits realised by the project.	Simon Britton – Head of The People Centre	Qtr 3	In Progress.
<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	N/A – dependent upon each internal	Throughout the year	In Progress.

AUDIT	DAYS	PROPOSED COVERAGE	KEY CONTACT	PROPOSED TIMING	STATUS AS AT 4 DECEMBER
		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.	audit to be followed-up		
<b>TOTAL</b>	<b>146</b> <i>(reduced to 136)</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 4 DECEMBER
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	Work in Progress
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)	Draft Report issued – awaiting management responses.
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 4 DECEMBER
		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	
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 4 DECEMBER
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 to be issued
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	Draft Report issued – awaiting management

AUDIT	DAYS	PROPOSED COVERAGE	KEY CONTACT	PROPOSED TIMING	STATUS AS AT 4 DECEMBER
		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		responses.
<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 138</i>				

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	<p><b>Audit Committee</b> 17 December 2009</p> <p><b>Report from the Director of Finance and Corporate Resources</b></p>
For Information	Wards Affected: ALL
<b>Use of Directed Surveillance</b>	

## 1. Summary

- 1.1. The purpose of this report is to advise members on the use of covert surveillance across the council.

## 2. Recommendations

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

## 3. Detail

### Background

- 3.1. During the latter part of 2008 there was a significant amount of negative publicity regarding the use of surveillance methods by local authorities. Initially raised by the Daily Telegraph in April 2008<sup>1-3</sup>, coverage continued in various publications, including the local press and was debated in the BBC's Question Time programme on 26<sup>th</sup> June 2008<sup>4</sup>. Much of the reporting was misleading, particularly by the Telegraph<sup>3</sup> who reported that councils could bug phones. This is not the case, there is no legal power for a local authority to bug a phone or intercept email communication. The Telegraph later corrected this error although the adverse public reaction had already begun and worsened when Poole Council were criticised for using surveillance to observe a family who it believed were misrepresenting their home address in order to get their child into a particular school.
- 3.2. The main thrust of the coverage was that councils were inappropriately using powers conferred for anti-terrorism purposes to investigate minor offences. Again this is misleading as the legislation which underpins surveillance makes no mention of anti-terrorist activity and is for the investigation of all criminal activity. The Guardian (2008)<sup>5</sup> provided a more balanced view and pointed out that councils are not able to bug telephones and that the police do not

have time to investigate the offences which local authorities are required to investigate. It went on to say, *“Councils are also dealing with matters which are a nuisance and can't be ignored - fly-tippers, noisy neighbours, dodgy food - which again the police don't have time or the money to investigate.”*

- 3.3. It was, however, the case that a small number of authorities were using surveillance for what were, considered to be, trivial matters. These included littering and dog fouling. As a result, on 20<sup>th</sup> June 2008 the Local Government Association<sup>6</sup> (LGA) wrote to every council leader. The LGA requested that council leaders, *“...satisfy yourself that the use of these powers is only being authorised after the most careful consideration at the appropriate senior political and managerial level. It would also be helpful if you could review existing permissions to ensure that their continuance meets the "necessary and proportionate" test. Perhaps you might consider reviewing these powers annually by an appropriate scrutiny committee or panel of your council which could invite evidence from the public”*.
- 3.4. Subsequently the Home Office<sup>7</sup> announced a review of the RIPA legislation and issued a consultation on whether the powers should be used by Local Authorities, for what and who should authorise them. The consultation ended in July 2009 and the Home Office is currently revising its code of practice on the use of surveillance. It is considered likely that the level of authorisation for surveillance within local authorities will be raised to departmental director and that members will be required to have greater oversight as to the use of surveillance.
- 3.5. The purpose of this report is to begin to address this oversight role, in advance of the new code of practice, and to provide wider assurance to members as to the appropriateness of the use of surveillance within the council..

### **Control of Surveillance**

- 3.6. It should be noted that prior to the introduction of the Regulation of Investigatory Powers Act (2000), councils and other law enforcement agencies were conducting surveillance operations. The Act was introduced to regulate the use of surveillance by many different public bodies into crime in general and to create a framework within which they can operate. The use of surveillance by local authorities is not a new phenomena caused by the introduction of this act. Surveillance activity has been taking place for many years and is better regulated now than at anytime.
- 3.7. The Act requires certain procedures to be followed and considerations to be given prior to surveillance being authorised. The authorisation has to be done by a designated officer and there are safeguards in place regulating the length of time an operation can be authorised for and to ensure there is ongoing review of live operations. The Act also set up the Office of Surveillance Commissioners (OSC) to carry out oversight on behalf of the Government to ensure the powers were being used appropriately. The Commissioners carry out regular on site inspections and the council has been the subject of four inspections.

- 3.8. Local authorities are permitted, under RIPA, to conduct a number of covert activities. These are: Directed surveillance, Covert Human Intelligence Sources (CHIS) and obtaining communication subscriber and traffic data. Councils may not conduct intrusive surveillance, which is surveillance conducted in any private place. Neither may councils obtain the content of communications, i.e. listen into phone calls or intercept emails. The surveillance methods available are:
- Directed surveillance - covert monitoring of individuals in a public place for the purposes of a specific investigation. It does not include general CCTV use, although CCTV used to monitor specific individuals would constitute directed surveillance.
  - CHIS - any person, either employed directly by the council or a third party informant who is directed by the council to obtain and provide information about the subject of an investigation.
  - Communication data - details of the subscriber to a telephone or email account or records of calls made from a specific telephone number.
- 3.9. The council has a confidential policy and procedure manual which has been issued to all units who conduct surveillance. This manual covers the procedures for the authorisation of directed surveillance, covert human intelligence sources and accessing communications data. The manual also covers issues of proportionality, necessity, collateral intrusion and the right to privacy.
- 3.10. Surveillance may only be authorised by designated persons under the Regulation of Investigatory Powers Act 2000. In the council the following are authorising officers:
- Director and Deputy Directors of Trading Standards
  - Director of Housing and Community Care
  - Director and Deputy Director of Finance and Corporate Resources
  - Director of Streetcare
  - Director of Health, Safety and Licensing
  - Deputy Director of Environmental Health
  - Assistant Director of Social Care
  - Corporate Complaints Manager
  - Head of Community Safety
  - Deputy Borough Solicitor
  - Chief Executive
- 3.11. All those listed above have received appropriate training in RIPA, the Human Rights Act and surveillance generally, specifically covering issues of proportionality, necessity and collateral intrusion.
- 3.12. The council must comply with this legislation for surveillance material to be admissible in court and to prevent claims under the human rights act for a

breach of the right to privacy. The council has a procedure in place, which is effectively governed by the legislation and statutory guidance. Each surveillance operation must be authorised by one of the authorising officers listed above. The key tests are whether the authorising officer considers the surveillance to be necessary (surveillance is used only as a last resort and all other avenues of investigation have been explored), proportionate (the level of intrusion is balanced against the seriousness of the alleged criminal offence) and that issues of collateral intrusion (the intrusion into innocent third parties) have been considered. These tests must all be applied prior to authorisation and the authorising officer is required to state, on the application form, what they have considered and what surveillance activity is being authorised. Operatives must remain within the scope of the application.

- 3.13. Details of all surveillance operations are held on a central record maintained by Legal Services. Surveillance cannot take place without a unique reference number being issued by Legal Services. Copies of authorisations are logged with Legal Services for audit purposes. Legal Services conduct periodic audits to ensure the relevant tests are being applied. In addition to internal oversight by Legal Services, the Council has been inspected on three occasions by the OSC and has received positive reports on all such occasions. These inspections include reviewing individual surveillance operations to ensure they are within the scope of the legislation.
- 3.14. In addition to the statutory safeguards listed above there are also operational safeguards, such as the use of formal risk assessments, experienced and trained personnel and formal briefings.
- 3.15. The council has been the subject of four inspections by the Office of Surveillance Commissioner. The inspectors have found no fundamental weaknesses in the council's approach or any concerns with specific operations.

### **Surveillance Activity**

- 3.16. Between 1<sup>st</sup> April 2008 and 31<sup>st</sup> March 2009, 37 authorisations were given for directed surveillance. These are summarised in table 1 below together with a comparison against last year's figures:

**Table 1: Surveillance Operations by Service Unit April 2007 to September 2009**

<b>Service Unit</b>	<b>2007/08</b>	<b>2008/09</b>	<b>Apr 2009 to Sep 2009</b>
Trading Standards	12 Counterfeiting, under age sales, licensing	22 Counterfeiting (9) Under age sales (13)	8 Under age sales (6) Car Cloning (1) Consumer Protection (1)
Audit and Investigations	10 Housing Benefit Fraud (3) Housing Sub-Letting (4) False ill-health claim (1) Blue Badge Misuse (2)	10 Housing Benefit Fraud (2) Housing (5) Direct Payments (1) Blue Badge Misuse (3)	5 Housing (2) Blue Badge Misuse (3)
Housing	5 Anti-Social Behaviour (5)	3 Anti-Social Behaviour (3)	1 Anti-Social Behaviour (1)
Social Services	1 Child Protection (1)	2 Child Protection (2)	0
<b>Total</b>	<b>28</b>	<b>37</b>	<b>14</b>

3.17. Due to differences in case management systems and availability of historic case records, it is not possible to give a complete picture of the results of surveillance exercises over time. Clearly, a number of those cases identified in table 1 above will not yet have reached a conclusion. To give an indication of the effectiveness of surveillance operations, the Audit and Investigations Team have conducted 45 operations since April 2003 in which the case has been closed. Of these, sixteen resulted in no further action. Of the remaining 29 cases, six resulted in criminal convictions for benefit fraud in excess of £340,000, twelve council properties were recovered and four right to buy applications refused, five staff were either dismissed or resigned for fraud and a further six cases resulted in some other form of sanction.

3.18. Trading Standards have many examples of the successful use of surveillance including:

- Two counterfeiters sentenced to a combined total of 28 months imprisonment for their illicit wholesale trade in counterfeit goods. One of the defendants was sentenced to 21 months imprisonment, whilst the other received a 7 months sentence suspended for 2 years, and is to be electronically tagged preventing him from leaving his home between 8pm and 6am every day.
- A confiscation order for £40,000 against a market trader under the Proceeds of Crime Act 2002 and he was ordered to pay in full within 12 months. The defendant was previously convicted for his part in a major counterfeiting operation for which he was sent to prison for one year. His enterprise sold counterfeit goods at Wembley and Shepherds Bush markets.

- Two Wembley market traders convicted for up to two years for dealing in counterfeit goods.
- Three local retailers were fined a total of £1,200 by Brent Magistrates Court and ordered to pay a further £2,150 in prosecution costs to the London Boroughs of Brent & Harrow Trading Standards Service after they each pleaded guilty to offences under the Licensing Act 2003.
- One man was jailed and three others given community service orders at for their part in a major counterfeiting operation involving £400,000 worth of designer clothes and footwear.
- An employee of a local retailer fined for selling a knife to two 12 year old children.

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

4.1. None

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

5.1. None

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

6.1. None

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

1. Daily telegraph (2008a). *Council spy cases hit 1,000 a month*. Retrieved 9<sup>th</sup> September 2008 from:  
<http://www.telegraph.co.uk/news/uknews/1584808/Council-spy-cases-hit-1000-a-month.html>
2. Daily telegraph (2008b). *Poole council spies on family over school claim*. Retrieved 9<sup>th</sup> September 2008 from:  
<http://www.telegraph.co.uk/news/uknews/1584713/Poole-council-spies-on-family-over-school-claim.html>
3. Daily telegraph (2008c). *Phones tapped at the rate of 1,000 a day*. Retrieved 9<sup>th</sup> September 2008 from:  
<http://www.telegraph.co.uk/news/uknews/1576937/Phones-tapped-at-the-rate-of-1,000-a-day.html>
4. BBC 2008. *Question Time* [Television Programme 26<sup>th</sup> June 2008] Retrieved 9<sup>th</sup> September 2008 from:  
[http://news.bbc.co.uk/1/hi/programmes/question\\_time/default.stm](http://news.bbc.co.uk/1/hi/programmes/question_time/default.stm)
5. Guardian (2008). *Snoopers or protectors? Let's not get hysterical. There are far graver threats to our liberties than the man from the town hall* Retrieved 9<sup>th</sup> September 2008 from:  
<http://www.guardian.co.uk/commentisfree/2008/jun/08/civilliberties.localgovernment?gusrc=rss&feed=uknews>
6. Local Government Association (2008). *Letter to all council leaders*

7. Home Office (2009). *Regulation of Investigatory Powers Act 2000: consolidating orders and codes of practice - consultation and response*. Retrieved 2<sup>nd</sup> December 2009 from:  
<http://www.homeoffice.gov.uk/documents/cons-2009-ripa/>

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