

**Internal Audit Progress Summary  
Report 2007/08  
London Borough of Brent  
December 2007**



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## Executive Summary

<b>Introduction</b>	<p>This report sets out the progress made in delivering the 2007/08 Internal Audit Plan for the period 1 April 2007 to date. In the report we provide a summary of the main findings from each audit together with the assurance ratings for each one. Please note that this summary and assurance rating is only reported on once the individual audit reports have been finalised. We have also indicated where draft reports have been issued and are in the process of being agreed with management.</p>
<b>Summary of progress against the Plan</b>	<p>The overall Internal Audit Plan for 2007/08 comprises 1224 days, of which 774 were originally allocated to Deloitte &amp; Touche Public Sector Internal Audit Limited, and 450 to the in-house team. Since the original allocation, 100 days have been transferred from the internal team to Deloitte.</p> <p>As at the end of quarter 2, a total of 540 days had been delivered against the overall Plan, made up of 353 Deloitte days and 187 in-house days. This represents 44% of the Plan. The total forecast days to the end of quarter 3 are 755, comprising a forecast of 498 Deloitte days and 257 in-house days. This will represent 62% of the Plan.</p> <p>Audits are continuing to be booked in with several of the key financial systems being scheduled for quarter 4 so as to allow for sufficient 2007/08 transactions to be tested. Deloitte and the in-house team will also be undertaking a substantial number of external assessments in a number of the Council's primary schools to ensure compliance with Financial Management Standards.</p>
<b>Summary of work undertaken</b>	<p>Audits undertaken by the in-house team and by Deloitte since the previous Audit Committee meeting include a number of systems audits, schools audits and also IT audits which are undertaken by Deloitte's specialist computer audit section. Contract audit work has been completed in respect of a school's construction project and highways term contracts, with this work being undertaken by Deloitte's specialist contract auditors.</p> <p>Of the 19 Final Reports issued to date for which an Assurance Opinion was due, there have been eight (42%) 'Substantial' Assurance Opinions, six (32) 'Limited' Assurance Opinions and five (26%) where the assurance opinions were not relevant because of the nature of the audits. No 'Full' or 'None' Assurance Opinions have been awarded to date. Please note that this does not include the five Brent Housing Partnership (BHP) Final Reports, of which two were 'Substantial' and two was 'Limited' and one did not have an assurance opinion because of the nature of the review..</p>

**West London Framework**

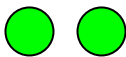



Developments in respect of the West London Framework across the three boroughs of Brent, Ealing and Hammersmith & Fulham were reported on at the last Audit Committee meeting. The in-house team is now using Deloitte's internal audit software, REX, for which they have received initial training.

## Detailed summary of work undertaken

We set out, starting on the following page, a summary of the audits commenced since 1 April 2007, with an indication of whether the report has been finalised, whether it is at draft stage, or whether the fieldwork is currently in progress. A summary of the main findings and the Assurance Opinion are only provided for audits for which the final report has been issued. Please note that we list out any priority 1 recommendations raised, but only make reference to the number of priority 2 and 3 recommendations raised. Should Members wish to see full reports for any of the audits then these can be provided upon request.

For Members' reference, the following tables provide the definitions of our assurance opinions, together with the definitions for our recommendation priorities:

### Assurance Opinions

	<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.
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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.

Recommendation Priorities


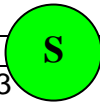
<b>Priority 1</b>	Major issues for the attention of senior management and the audit committee.
<b>Priority 2</b>	Important issues to be addressed by management in their areas of responsibility.
<b>Priority 3</b>	Minor issues resolved on site with local management.




**Summary Table**

For ease of reference we have split the table up to distinguish between audits that have previously been reported as final, those which have been finalised since the last Audit Committee meeting, and those for which only a draft report has been issued or the fieldwork is currently in progress. For those which have previously been reported to you as final we have removed the summary of findings but left in the Assurance Opinion so that you have an overview of the range of opinions issued for the year to date.


Please note that where audits are part of the Internal Audit Plan with Brent Housing Partnership (BHP), we have indicated the Assurance Opinion for any finalised reports, but the summary of findings is not provided as this will be reported to the BHP Board.


Audits previously reported as final:

<b>Audit</b>	<b>Status as at 6 December 2007</b>	<b>Assurance Opinion</b>
Adult Care Packages – Learning Disabilities	Final Report. Previously reported to the Audit Committee in September 2007.	Limited 
Pensions	Final Report.	


Audit	Status as at 6 December 2007	Assurance Opinion
	Previously reported to the Audit Committee in September 2007.	Substantial
Payroll / HR System – Pre-Implementation Review (IT)	Final Report. Previously reported to the Audit Committee in September 2007.	Substantial 
Planning Applications	Final Report Previously reported to the Audit Committee in September 2007.	Substantial 
Watling Gardens TMO (BHP)	1st Interim Report – Final – To be reported to BHP Board	Limited 
LAA Grant Certification	Final Report. Previously reported to the Audit Committee in September 2007.	n/a
LAA – Review of Internal Control Environment / Grant Statement – Stronger Safer Communities	Final Report. Previously reported to the Audit Committee in September 2007.	n/a
SIC Verification Exercise	Summary Report for Head of Audit & Investigations to support the production of the Statement of Internal Control.	n/a
Bankline (IT)	Initial memo issued. Full audit is scheduled to be undertaken following the full implementation of the system, following which a formal audit report will be produced.	n/a

New audits being reported as final:



Audit	Status as at 6 December 2007	Assurance Opinion
<p>Contract Audit – Alperton Underpinning</p>	<p>Final Report</p> <p>No priority 1 recommendations were raised as a result of our work, however six priority 2 recommendations were raised, where changes can be made in order to achieve greater control.</p> <p>The vertical audit programme showed that the procurement process and key contractual administrative areas of the project had, in a number of areas, been controlled and monitored in accordance with the Joint Contracts Tribunal (JCT) standard Form of Contract and Contract Guidelines.</p> <p>However, some contract administrative issues were identified, such as contract formalities not being completed at the commencement of the contract works, and the monthly site progress meetings were not always held. Contrary to CDM Regulations the Planning Supervisor confirmed the Contractor’s Construction Health and Safety Plan after the commencement of works. Overall, there was a lack of a structured project file and not all of the key contractual documents were being held on the file.</p> <p>The initial Project Officer left the Council employment as the works started to progress and therefore the current Project Officer inherited the project file. The Consultant employed had not been made aware of the contractual documents that should be provided to the Council’s Project Officer as part of their monitoring duties.</p> <p>A key area for improvement with regards to the management of future projects, is that measures should be taken to develop the</p>	<p>Substantial</p> 

Audit	Status as at 6 December 2007	Assurance Opinion
	<p>presentation of project files in a consistent and organised manner, with a check list of key documents being placed at the beginning of each project file. Additionally, minutes of pre and site progress meetings should clearly record progress against previous action points so as to help ensure that any outstanding actions are addressed and cleared in a timely manner.</p> <p><b>All of our recommendations were accepted for implementation by management.</b></p>	
St. Joseph's RC Infants School	<p>Final Report.</p> <p>Five priority 1 recommendations were raised as a result of our work. These provide an indication of the key areas of weakness identified, and are as follows:</p> <ul style="list-style-type: none"> <li>• Purchase orders should be raised for all items requiring an order and signed copies of orders should be maintained. All invoices received should be matched to the purchase order and delivery note, which should all be filed together. In addition, all invoices received should be retained and paid for within the payment period specified by the supplier;</li> <li>• The School should retain adequate documentary evidence of the recruitment and appointment process;</li> <li>• Declarations of interest should be completed for all the Governors and senior staff with financial management responsibilities within the School;</li> <li>• The budget monitoring process should be formalised. Monthly budget reports should be produced and reviewed by the Secretary and the Head Teacher. All variances should be highlighted, explained and corrective action documented. The</li> </ul>	<p>Limited </p>

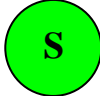


Audit	Status as at 6 December 2007	Assurance Opinion
	<p>budget reports should be signed off as evidence of review; and</p> <ul style="list-style-type: none"> <li>As a minimum, three quotations should be obtained prior to entering any leasing arrangements and for all repair and maintenance work undertaken at the School. Written approval should also be sought from the Council's Director of Finance prior to entering any leasing arrangements. Where the value of a contract falls between £20,000 and £149,999, three written quotations are required to be sought and recorded, and above £150,000 a competitive tendering exercise must be undertaken.</li> </ul> <p>We also raised 11 priority 2 and two priority 3 recommendations where changes can be made in order to achieve greater control.</p> <p><b>All of our recommendations were accepted for implementation by management.</b></p>	
Vernon House School	<p>Final Report.</p> <p>Six priority one recommendations were raised as a result of our work. These provide an indication of the key areas of weakness identified, and are as follows:</p> <ul style="list-style-type: none"> <li>The budget monitoring process should be formalised. Monthly budget monitoring reports should be produced and reviewed. All variances should be highlighted, explained and corrective action documented. The budget reports should also be signed off as evidence of review. Additionally, the budget reports should be distributed and discussed at Finance Committee meetings and the Head Teacher's reports to the Governing Body should contain comprehensive information regarding variances and income and expenditure projections.</li> </ul>	<p>Limited </p>

Audit	Status as at 6 December 2007	Assurance Opinion
	<p>Furthermore, approval should be sought from the Finance Committee for all virements as is required by the School Financial Regulations;</p> <ul style="list-style-type: none"> <li>• The School should retain adequate documentary evidence of the recruitment and appointment process, to include: letter of appointment, signed contract of employment, qualifications (where relevant), references, evidence of Criminal Record Bureau checks and right to work in the UK. CRB checks should also be carried out for all members of staff working at the School and all payroll data should be maintained in a secure locked cabinet;</li> <li>• Purchase orders should be raised in a timely manner on the SIMS system for all goods and services requiring purchase orders. All purchase orders should be approved by the Head Teacher and not by the same officer who raised the order. In addition, invoices should be paid within the suppliers' specified payment period;</li> <li>• As a minimum, three quotations should be obtained prior to entering any leasing arrangements; for all repair and maintenance work undertaken at the School; and for any other high value purchases. Written approval should also be sought from the Council's Director of Finance &amp; Corporate Resources prior to entering into any leasing arrangements;</li> </ul> <p>Where the value of a contract/purchase falls between £20,000 and £149,999, three written quotations are required to be sought and recorded, and above £150,000 a competitive tendering exercise must be undertaken;</p> <ul style="list-style-type: none"> <li>• Detailed records of all income due and income received should be maintained by the School. Receipts should also be issued when income is collected. It is further recommended that</li> </ul>	


Audit	Status as at 6 December 2007	Assurance Opinion
	<p>income received should be held in a locked safe and banked in full on a regular basis; and</p> <ul style="list-style-type: none"> <li>• A Disaster Recovery Plan for the School should be produced, approved by the Governors and communicated to all staff.</li> </ul> <p>We also raised 11 priority 2 and three priority 3 recommendations where changes can be made in order to achieve greater control.</p> <p><b>All of our recommendations were accepted for implementation by management.</b></p>	
Mount Stewart Junior School	<p>Final Report.</p> <p>No priority 1 recommendations were raised as a result of work, however nine priority 2 and three priority 3 recommendations were raised, where changes can be made in order to achieve greater control.</p> <p>A separate summary of all the issues identified in relation to the schools can be provided to Members at year-end, or sooner if requested.</p> <p><b>All of our recommendations were accepted for implementation by management.</b></p>	<p>Substantial </p>
KS3 – Pupil Referral Unit	Final Report	<p>Limited </p>

Audit	Status as at 6 December 2007	Assurance Opinion
	<p>Seven priority one recommendations were raised as a result of our work: These provide an indication of the key areas of weakness identified, and are as follows:</p> <ul style="list-style-type: none"> <li>• Formal written protocols governing the relationship between the Management Committee, the Headteacher and other staff should be drawn up and implemented. The roles and responsibilities of the Management Committee (including its terms of reference), other relevant sub-committees, the Headteacher and bursar, and the levels of delegated authority should be set out in writing and approved by the Management Committee. A scheme of delegation should also be drawn up for the School.</li> <li>• The Headteacher and Management Committee should ensure that a register of pecuniary / business interest of the Management Committee members, the Headteacher and other senior staff who have an influence over financial decision making is set up. The register should be retained at the School.</li> <li>• Regular budget reports and other financial information should be produced by the bursar for review by the Headteacher. In addition the budget report and other information should be presented and distributed at Management or other relevant sub-committee meetings for discussion and review.</li> <li>• Monthly bank reconciliations should be printed off the accounting system and retained. The Headteacher should review all monthly bank reconciliations and sign them off as evidence of review.</li> <li>• The Headteacher and Management Committee should establish written description of all its financial policies,</li> </ul>	


Audit	Status as at 6 December 2007	Assurance Opinion
	<p>systems and procedures and these should be made available to all relevant staff. These policies, systems and procedures should be reviewed and updated as appropriate.</p> <ul style="list-style-type: none"> <li>• Supplier invoices should only be paid to the relevant supplier and not to a third party. Prior to payments being made to named individuals without the deduction of tax and national insurance contributions, adequate steps should be taken to determine their tax status.</li> <li>• All supplier invoices should be approved by an authorised signatory prior to being passed for payment.</li> </ul> <p>We also raised 12 priority 2 recommendations al of which were accepted for implementation by the Headteacher.</p>	
IDEAR Application (IT)	<p>Final Report.</p> <p>No priority 1 recommendations were raised as a result of our work, however 10 priority 2 recommendations and one priority 3 recommendation were raised, where changes can be made in order to achieve greater control.</p> <p>The priority 3 recommendation relates to minor weaknesses resolved on site with local management. The priority 2 recommendations relate to the following weaknesses, as detailed in the Final Report:</p> <ul style="list-style-type: none"> <li>• The Password Complexity setting is disabled, the unsuccessful login counter is set to five instead of three, and the security violation log generated from each unsuccessful login attempt is</li> </ul>	<p>Substantial </p>


Audit	Status as at 6 December 2007	Assurance Opinion
	<p>not reviewed;</p> <ul style="list-style-type: none"> <li>• Formal procedures have not been established for setting up and making amendments to new and existing users. System Administrators also rely solely on the Head of Service for notification of leavers, and this does not occur on all occasions;</li> <li>• Generic user IDs are being used rather than being assigned to a specific user;</li> <li>• Requests for access to Eureka and the IDEAR reporting tool are not maintained and access rights are not periodically reviewed;</li> <li>• Numeric characters were allowed to be entered in alpha fields, the entry of gender based titles did not result in the automatic selection of the corresponding gender, and mandatory fields of data were not distinguishable;</li> <li>• There is no process for formally documenting requests to merge duplicate records and informal documentation is not maintained;</li> <li>• The application has no audit reporting capability and any audit information identified was held on the face of the application;</li> <li>• The Service Level Agreement with Tribal does not fully explain the response times applied to Call Priorities, and seven calls from December 2004 were identified as not having been resolved; and</li> <li>• There is no Change Control process that Tribal are required to comply with.</li> </ul> <p><b>All of our recommendations were accepted for implementation by management.</b></p>	
Epicor Financials Application	Final Report	



Audit	Status as at 6 December 2007	Assurance Opinion
(IT)	<p>No priority 1 recommendations were raised as a result of our work, however seven priority 2 recommendations and one priority 3 recommendation were raised, where changes can be made in order to achieve greater control.</p> <p>The priority 3 recommendation relates to minor weaknesses resolved on site with local management. The priority 2 recommendations relate to the following weaknesses, as detailed in the Final Report:</p> <ul style="list-style-type: none"> <li>• The roles of System Administrator and Database Administrator have not been fully separated and there is currently no procedure in place to log and review the activities at database level;</li> <li>• Whilst a process to document user roles has been initiated, this has not been developed any further. There is also no procedure for reporting on user permissions, and these are only reviewed on an adhoc / sample basis;</li> <li>• Formal procedures have not been established for setting up and making amendments to new and existing users. System Administrators also rely solely on line managers for notification of leavers;</li> <li>• Only four characters are required when setting a password and the use of alpha and numeric characters is not enforced;</li> <li>• The audit trail does not report on the before and after images for changes to the system, and there is no review of changes to master data;</li> <li>• The backup server and live server are located approximately 30 metres apart and are therefore exposed to the same environmental risks. Backup tapes are also taken to the</li> </ul>	Substantial

Audit	Status as at 6 December 2007	Assurance Opinion
	<p>Administrator's home on a daily basis; and</p> <ul style="list-style-type: none"> <li>• There was no formal procedure in place to periodically test the Business Continuity Plan for the system.</li> </ul> <p><b>All of our recommendations were accepted for implementation by management.</b></p>	
Oracle Financials Application (IT)	<p>Final Report.</p> <p>One priority 1 recommendation was raised as a result of our work. This provides an indication of the key area of weakness identified, and is as follows:</p> <ul style="list-style-type: none"> <li>• Adequate segregation of duties should be enforced between key processing functions within the Oracle Financials application.</li> </ul> <p>We also raised eight priority 2 and three priority 3 recommendations, where changes can be made in order to achieve greater control.</p> <p>The priority 3 recommendations relate to minor weaknesses resolved on site with local management. The priority 2 recommendations relate to the following weaknesses, as detailed in the Final Report:</p> <ul style="list-style-type: none"> <li>• Password security settings on Oracle Financials v11.5.9 have not been changed from the defaults. Also, since migrating from v11.5.5 there has been no regular review of the User Audit Report or the Unsuccessful Login Audit Report;</li> <li>• There are no formal procedures for the creation of new users and amendments to and removal of existing users;</li> </ul>	<p>Limited</p> 



Audit	Status as at 6 December 2007	Assurance Opinion
	<ul style="list-style-type: none"> <li>• There were seven users with system administrator rights;</li> <li>• A number of generic user accounts existed rather than being assigned to specific users;</li> <li>• Although patches were being developed for the implementation of workflow authorisation, at the time of audit these had not yet been implemented;</li> <li>• There was no evidence to show that any monitoring was undertaken of changes to Standing Data;</li> <li>• The offsite backup tapes are stored in a cabinet that is not locked and is not fireproof; and</li> <li>• There is no formal change management process in place.</li> </ul> <p><b>All of our recommendations were accepted for implementation by management.</b></p>	
View360 EDMS Benefits System (IT)	<p>Final Report.</p> <p>One priority 1 recommendation was raised as a result of our work. This provides an indication of the key area of weakness identified, and is as follows:</p> <ul style="list-style-type: none"> <li>• The use of a generic User ID and password for development purposes by Capita and the developer be revoked. Capita staff and the developer should be given unique User ID's and passwords for all development work required on the View 360 database.</li> </ul> <p>We also raised six priority 2 and three priority 3 recommendations, where changes can be made in order to achieve greater control.</p>	<p>Limited </p>

Audit	Status as at 6 December 2007	Assurance Opinion
	<p>The priority 3 recommendations relate to minor weaknesses resolved on site with local management. The priority 2 recommendations relate to the following weaknesses, as detailed in the Final Report:</p> <ul style="list-style-type: none"> <li>• Whilst Capita send Brent a list of users registered on the system, this list does not include user roles and is therefore only used in the review of leavers. User permissions and authorisation limits are also only reviewed on an adhoc basis;</li> <li>• The system has not been configured to lock users after a number of unsuccessful attempts, and there is no log of security violations;</li> <li>• Password length has not been defined, passwords are not set to expire, alpha-numeric passwords are not enforced, and password re-use is not controlled;</li> <li>• The technical management of the system is dependent on Capita's Consultant / Project Team Member. There are no cover arrangements in place for any absences, as was the case during the audit;</li> <li>• The View360 application and Global360 software do not keep a log of amendments to objects, and there is no process in place to review changes to the system; and</li> <li>• There is no formalised disaster recovery plan in place for View360.</li> </ul> <p><b>All of our recommendations were accepted for implementation by management.</b></p>	
Housing Rents (BHP)	<p>Final Report – To be reported to BHP Board.</p> <p><b>All of our recommendations were accepted for implementation</b></p>	<p>Substantial </p>

Audit	Status as at 6 December 2007	Assurance Opinion
	by management.	
Watling Gardens TMO – 1 <sup>st</sup> Interim Report	Final – To be reported to BHP Board	
Watling Gardens TMO	Final – To be reported to BHP Board	Limited 
Complaints (BHP)	Final Report – To be reported to BHP Board.  <b>All of our recommendations were accepted for implementation by management.</b>	Substantial 

Audits currently at draft report stage or in progress:

<b>Audit</b>	<b>Status as at 6 December 2007</b>	<b>Assurance Opinion</b>
Budgetary Control	Draft Report – report was presented to Strategic Finance Group in November and management responses are currently being finalised.	-
Grants to Voluntary Organisations	Draft Report – management responses being discussed.	-
Election Expenses	Draft Report – management responses being discussed.	-
Wembley High Technology College	Draft Report – management responses being discussed.	-
Avigdor Hirsch Torah Temimah School	Draft Report – management responses being discussed.	-
Looked After Children Placements	Draft Report – management responses being discussed.	-
Supporting People (Contracts & Management of Contracts)	Draft Report – management responses being discussed.	
Housing Repairs & Maintenance (BHP)	Draft Report – management responses being discussed – to be reported to BHP Board once final.	-
Risk Management – Initial Comparison Exercise	Draft Report – awaiting management responses.	n/a
Housing and Council Tax Benefits	Draft Report – awaiting management responses.	-
Recoupment	Draft Report – awaiting management responses.	-
Older People Service	Draft Report – awaiting management responses.	-
Home to School Transport	Draft Report – awaiting management responses.	

<b>Audit</b>	<b>Status as at 6 December 2007</b>	<b>Assurance Opinion</b>
Internal Financial Controls – Community Care	Draft Report – awaiting management responses.	-
NNDR Academy (IT)	Draft Report – awaiting management responses.	-
Non-Stop Gov (IT)	Draft Report – awaiting management responses.	-
Brentin2 Work	Draft Report – awaiting management response	-
Management of Anti-Social Behaviour (BHP)	Draft Report in progress– To be reported to the BHP Board	-
Parking Enforcement	Fieldwork in progress.	-
BACES	Fieldwork in progress.	-
Curzon Crescent Nursery/Children Centre	Fieldwork in progress.	-
Carlton Vale Nursery	Draft Report in Progress	-
Register of Interest & Gifts and Hospitality (Board Members) (BHP)	Draft Report in Progress	-
Register of Interest & Gifts and Hospitality (Officers) (BHP)	Draft Report in Progress	-

## Appendix A – Audit Team and Contact Details

London Borough of Brent	Contact Details
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Shahab Hussein – Senior Computer Audit Manager	