

**Internal Audit Progress Summary
Report 2008/09
London Borough of Brent
September 2008**



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Executive Summary

Introduction	<p>This report sets out a summary of the work completed against the 2008/09 Internal Audit Plan for the financial year to date.</p> <p>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, or where audit fieldwork is currently in progress.</p>
Summary of progress against the Plan	<p>The overall Internal Audit Plan for 2008/09 comprises 1,230 days, of which 970 have been allocated to Deloitte & Touche Public Sector Internal Audit Limited, and 260 to the in-house team. 30 of the total days have been carried forward from 2007/08 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 August 2008, a total of 351 days had been delivered against the overall Plan, made up of 250 Deloitte days and 101 in-house days. This represents 29% of the Plan.</p> <p>It is recognised that delivery is not on course to achieve 50% by the end of the second quarter. However, this is not being raised as a concern with Members since a large proportion of the remaining days have already been booked in across the third and fourth quarters. This weighting of days in the second half of the year is not unusual and there are a number of reasons for this. One reason is that, in line with the Audit Commission's requirements, the majority of the key financial systems need to be left until later in the year to ensure that there are sufficient volumes of transactions to be included in our sample testing. There are also a number of audits which have needed to be scheduled into the second half of the year on the basis that these relate to operational developments taking place across the Council. As such, much of the focus for the year to date has also had to be on undertaking the FMSIS assessments across the primary schools, due to the majority of schools not having been ready for assessment during 2007/08. Good progress has been made with these assessments, although this has diverted attention away from other areas which will now be addressed in the remaining two quarters.</p> <p>With regards to the follow-up of recommendations raised in the internal audits carried out in 2007/08, a more structured programme is in place this year to address this. Given the focus to date on moving the FMSIS assessments forward, follow-up work has been limited and we are not reporting on this at the current time. However, a number of follow-up exercises are currently taking place and others are</p>

	<p>scheduled to be carried out in the coming months. This will determine the extent to which recommendations raised and agreed have actually been implemented by management, and future reports to the Committee will summarise the results of this work.</p>
<p>Summary of work undertaken</p>	<p>As explained above, a significant amount of time has been spent to date on organising and undertaking the FMSIS assessments in the primary schools. However, a number of systems audits and IT audits have also been undertaken, as well as a piece of work by one of Deloitte's specialist contract auditors in relation to the tendering of the Highways Maintenance Works contracts.</p> <p>In addition, as required in previous years, the in-house team have completed work around the LAA (Local Area Agreement) in order for the grant to be certified and, as presented to the last meeting of the Committee, the Head of Audit & Investigations carried out the Governance Review and produced the Council's Governance Statement earlier in the financial year.</p>
<p>West London Framework</p>	<p>The Heads of Audit from the original three boroughs making up the West London Framework, together with the recently joined Royal Borough of Kensington & Chelsea, have continued to meet with Deloitte & Touche on a regular 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 remember that the last meeting was attended by the Head of Audit from the London Borough of Ealing in an observational role. This was part of an agreed initiative for each of the Heads of Audit to attend at least one other borough's Audit Committee meeting so as to benchmark their make-up, approach and performance. The results of this exercise will be presented to the Committee later this year.</p> <p>Efforts are also being made to undertake a number of cross borough pieces of work as part of this year's Internal Audit Plans.</p> <p>The Committee will be updated on further developments in future meetings.</p>
<p>Customer Satisfaction</p>	<p>In addition to progress against the Plan, a key way in which the performance of Deloitte & Touche is monitored is through the issuing of Customer Satisfaction Surveys to auditees following the completion of each piece of work. These were issued throughout 2007/08 and feedback was collated and reported to the Head of Audit & Investigations at year-end.</p>

It has been recommended by the Audit Commission, following their Triennial Review of Internal Audit, that this information should also be reported to the Audit Committee. A copy of the summary report on the 2007/08 feedback is therefore attached to this report for Members' reference. In addition, from now on we will also include this section within the progress reports to summarise the feedback received in relation to work completed against the 2008/09 Internal Audit Plan to date.

To date, four completed questionnaires have been received in relation to the work undertaken by Deloitte. For one of these the auditee was issued with the questionnaire format as used in 2007/08. However, a new format has since been agreed and will be used from now on. This new format was used for the other three audits and so, on this occasion we have had to summarise the feedback separately.

For the one of the previous versions of the questionnaire, the overall score was 5/5 and, for the three completed using the new style questionnaire, the overall score was 4/5 in all cases. This represents an improvement on the average overall rating for 2007/08 work of 3.88 out of 5.

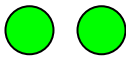



The detailed breakdown of this feedback is set out in a later section of this report.

Detailed summary of work undertaken

We set out in this section a summary of the internal audits and FMSIS assessments commenced since 1 April 2008. A summary of the main findings and the Assurance Opinion are only provided for internal audits for which the final report has been issued. Please note that 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. 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

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

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


Recommendation Priorities



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

Summary Table

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 on separately to the BHP Audit & Finance Sub-Committee.

New audits being reported as final

Audit	Status as at 12 September 2008	Assurance Opinion	
Home Improvement Grants	<p>Final Report</p> <p>Two priority 1 recommendations was raised as a result of this audit. These were as follows:</p> <ul style="list-style-type: none"> • All payments should be made via BACs. This should be implemented as soon as possible as it is a key objective set by the Assistant Director of Housing; and • Contractors should not be invited to tender until such time as copies of valid insurances are provided. After issue of the second reminder letter and a further period of non-response, the contractor should be considered for removal from the approved list, and also not awarded any further opportunities to tender. <p>We also raised seven priority 2 and three priority 3 recommendations where changes can be made in order to achieve greater control.</p> <p>All of our recommendations were accepted for implementation by management.</p>	Substantial	

Audit	Status as at 12 September 2008	Assurance Opinion	
Interact Payroll & HR Application Audit (IT)	<p>Final Report</p> <p>No priority 1 recommendations were raised as a result of this audit. However, we did raise 10 priority 2 and two priority 3 recommendations where changes can be made in order to achieve greater control.</p> <p>All of our recommendations were accepted for implementation by management.</p>	Substantial	
Gas Servicing (BHP)	<p>Final Report</p> <p>To be reported to the BHP Audit & Finance Sub-Committee.</p>	Substantial	
Section 52(9) Waste Charges	<p>Final report</p> <p>Our work in this area involved determining the extent to which invoices and tonnage figures received from West London Waste Authority (WLWA) are checked and verified by the Council, and also to determine the way in which management are monitoring the budget for Section 52(9) charges.</p> <p>We also visited one of the sites used by WLWA for the disposal of Brent waste in order to observe the process followed for identifying and recording Brent waste. However, we were not able to document the system of internal controls surrounding the recording of waste, and regarding the compilation of figures centrally by WLWA and the notification of these to Brent.</p> <p>As a third element to the work, we visited another London Borough to obtain a summary of the processes in place there to check and verify the figures received from WLWA, although this was not a detailed benchmarking exercise.</p> <p>In addition, we also undertook some further data analysis around the 2007/08 waste charges, as requested by the Director of Finance.</p>	N/A	N/A

Audit	Status as at 12 September 2008	Assurance Opinion	
	<p>Although we did not provide an assurance opinion through this work, we did raise three priority 1 recommendations as a result of our work. We have not repeated these here due to their length, but they relate to the following:</p> <ul style="list-style-type: none"> • Reviewing the current methodology followed to compile the monthly HLM figures and formally agreeing the methodology to be followed from now on; • Agreeing a process for the verification of the monthly figures and the quarterly invoices received from WLWA; and • Following-up of any variances identified through the verification process, including consideration as to whether this is appropriate / necessary in relation to the 2007/08 financial year. <p>All of our recommendations were accepted for implementation by management.</p>		
LAA Grant Certification	<p>Final Report</p> <p>The Council is required as the Accountable Body for the Local Area Agreement between Brent's Local Strategic Partnership and the Government Office for London to submit a Statement of Grant Usage setting out details of eligible expenditure for the whole year accompanied with a Certificate from the Director of Finance.</p> <p>As part of this submission, the Council's Head of Audit & Investigations is required to provide assurance that the year-end Statement of Grant Usage referred to above, is fairly presented and is in accordance with the terms and conditions set out in the Grant Determination for the LAA Grant.</p> <p>The Internal Audit Team undertook an audit of the Statement of Grant Usage in order to enable the Head of Audit & Investigations to provide the relevant assurance.</p> <p>On the basis of the audit work undertaken, Internal Audit was able to given reasonable assurance to the Director of Finance that the</p>	N/A	N/A

Audit	Status as at 12 September 2008	Assurance Opinion	
	<p>Statement of Grant Usage, in all material respects, fairly presents the eligible expenditure in the period 1 April 2007 – 31 March 2008 in accordance with the definitions and conditions in the Grant Determination for the London Borough of Brent.</p> <p>One priority 1 recommendation was raised as a result of this work. This was as follows:</p> <ul style="list-style-type: none"> • Adequate arrangements should be put in place to ensure that all services for which a grant certification audit is required in future, be required to provide adequate working papers prior to the commencement of the audit. Training and guidance should be provided for all officers involved in the preparation of grant claims which require certification. 		
Tendering of the Highways Maintenance Works Contracts	<p>Final Report</p> <p>The objective of this piece of work was to determine whether there was a system of controls in place to manage the tendering of the Highways Maintenance Works contracts as per the approved evaluation process based on quality (30%) and price (70%).</p> <p>As per managements' request, this work was undertaken after the approval of the award of contracts, as given by Executive on 27 May 2008, and so our work did not form any part of the tender evaluation and award process, nor are we qualified to provide an opinion as to the assessments made during the tendering process.</p> <p>From the work completed, we did not identify any specific areas of weakness where we considered that recommendations should be raised for immediate action or for consideration as part of any future tendering exercise. However, we did discuss one potential improvement area for consideration with the Acting Head of Highway Engineering to which agreement was gained.</p>	N/A	N/A
Housing Repairs & Maintenance Pilot (BHP)	<p>Final Report</p> <p>To be reported to the BHP Audit & Finance Sub-Committee.</p>	N/A	N/A

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 we are still awaiting receipt of these responses, or where the audit is currently in progress. As noted in the Executive Summary, we will update Members on the assurance opinions and key findings at the next meeting once these have been finalised.

Audit	Status as at 12 September 2008	Assurance Opinion
Rent Arrears Management (BHP)	Discussing Management Responses to the Draft Report.	-
Frameworki (IT)	Awaiting Management Responses to the Draft Report.	-
Housing Allocations / Choice Based Lettings	Awaiting Management Responses to the Draft Report.	-
Resident Involvement (BHP)	Awaiting Management Responses to the Draft Report.	-
Melrose House Establishment	Awaiting Management Responses to the Draft Report.	-
Payroll	In progress.	-
Freedom Passes	In progress.	-
Direct Payments and Self Directed Support	In progress.	-
Environmental Health	In progress.	-

FMSIS Assessments

The table below lists those primary schools for which an FMSIS assessment has been undertaken during the 2008/09 financial year to date.

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.

A Conditional Pass is awarded if it is considered that the school still needs to address any areas of the Standard, but for which it is felt that it is realistic for this to be done within a 20 day period. For the schools assessed to date, all have either achieved a full Pass or a Conditional Pass, none have failed. This is positive and it is hoped that all those with a Conditional Pass will complete the necessary actions in order to achieve the full Pass. There has been a delay in revisiting these schools due to the summer holidays, but this will take place in the coming weeks in order to verify the actions taken.

School	Assessment Outcome	Status as at 12 September 2008
Elsley Primary School	Pass	Report is awaiting finalisation as the School need to provide management responses to the recommendations raised for further strengthening controls.
Christ Church Primary School	Pass	Report is awaiting finalisation as the School need to provide management responses to the recommendations raised for further strengthening controls.
Harlesden Primary School	Conditional Pass	School currently have 20 days to implement the actions needed to achieve the full pass.
St Andrew and St Francis C.E Primary School	Conditional Pass	School currently have 20 days to implement the actions needed to achieve the full pass.
Malorees Infant School	Conditional Pass	School currently have 20 days to implement the actions needed to achieve the full pass.
Barham Primary School	Conditional Pass	School currently have 20 days to implement the actions needed to achieve the full pass.

School	Assessment Outcome	Status as at 12 September 2008
Our Lady of Lourdes Primary School	Conditional Pass	School currently have 20 days to implement the actions needed to achieve the full pass.
Michael Sobell Sinai School	Conditional Pass	School currently have 20 days to implement the actions needed to achieve the full pass.
Uxendon Manor Primary School	Conditional Pass	School currently have 20 days to implement the actions needed to achieve the full pass.
Preston Park Primary School	Conditional Pass	School currently have 20 days to implement the actions needed to achieve the full pass.
Gladstone Park Primary School	Conditional Pass	School currently have 20 days to implement the actions needed to achieve the full pass.
Oliver Goldsmith Primary School	Conditional Pass	School currently have 20 days to implement the actions needed to achieve the full pass.
Mitchell Brook Primary School	Conditional Pass	School currently have 20 days to implement the actions needed to achieve the full pass.
Donnington Primary School	-	Report is being reviewed prior to being issued to the School.
Mount Stewart Infant School	-	Report is being reviewed prior to being issued to the School.
Sudbury Primary School	-	Report is being reviewed prior to being issued to the School.

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 2008/09 Internal Audit Plan.

Old style questionnaire

5 = Excellent; 4 = Highly Effective; 3 = Perfectly Satisfactory; 2 = Not quite good enough; and 1 = Unacceptable.

Audit	Planning and Co-ordination	Understanding your service	Client relationships	Feedback	Reporting	Timeliness	Overall
Tendering of the Highways Maintenance Works Contracts	4	5	5	5	4	4	5

New style questionnaire

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
Interact Payroll & HR Application Audit (IT)	4	4	4	4	3	4	4
Home Improvement Grants	3	3	4	4	4	4	4
Gas Servicing (BHP)	5	5	4	4	4	4	4

Appendix A – Audit Team and Contact Details

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