

Internal Audit
Progress on the 2008/09 Audit Plan
London Borough of Brent
December 2008



Contents

Page No

Executive Summary	1
Detailed summary of work undertaken	4
Summary of implementation of 2007/08 recommendations	16
Customer Satisfaction	18
Appendix A – Audit Team and Contact Details	20

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. Of these 30 days 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 November 2008, a total of 646 days had been delivered against the overall Plan, made up of 480 Deloitte days and 166 in-house days. This represents 53% of the Plan.</p> <p>It is recognised that delivery is not on course to achieve 75% by the end of the third quarter. At the last Committee meeting we reported that the failure to achieve 50% by the end of quarter two was not being raised as a concern with Members due to us having a large proportion of the remaining days already booked in across the second half of the year. To a certain extent this is still the case. However, the position has worsened to a degree due to us no longer being able to go ahead with a number of audits within the Plan. Reasons for cancellations generally relate to audits having been connected to projects / developments within the Council that have not progressed as previously expected, and hence it is no longer appropriate to undertake the work. However, a proportion of the cancelled days also relate to the FMSIS assessments for which some of the schools have not prepared themselves as per the agreed deadlines and hence are having to be postponed to 2009/10.</p> <p>Given the cancellations / postponements we are currently discussing a number of options for the utilisation of these days. A number of additional audits and non-standard pieces of work have already been identified in relation to areas of emerging risk and areas in which we feel Internal Audit are able to add value. We will continue to discuss further options and it is hoped that the Plan days will be fully utilised by year-end. A similar situation arose in 2007/08 and the Plan was fully delivered by year-end with the exception of 30 days which were carried forward to help cover the increased number of FMSIS</p>

assessments requiring completion. As such, dependent upon the extent to which we are able to successfully identify other audits, it may be suggested that a number of days from this year's Plan are again carried forward to 2009/10 given the FMSIS postponements. The final deadline for all primary schools to have been assessed is 31 March 2010 and so no further postponements can take place in 2009/10. Carrying forward some days will help to ensure that the FMSIS assessments can be adequately resourced without having too great an impact on the coverage of the Plan as a whole.

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. At the time of the last meeting we reported that limited follow-up work had taken place due to much of the focus being on moving the FMSIS assessments forward in the first half of the year, as well as ensuring that progress was made with regards to the Plan as a whole. A number of follow-up exercises have now taken place and we have summarised the findings of this work within this report.

Summary of work undertaken

As explained above, and in previous meetings, a significant amount of time has been spent to date on organising and undertaking the FMSIS assessments in the primary schools, as well as on working with Education Finance to assist them with their understanding of the process and the support they are providing to the schools to move things forward. This has continued since the September Committee meeting. However, we have also undertaken a wide range of systems audits and IT audits, as well as a number of non-standard pieces of work in response to requests for additional work around the Council.

In addition, as reported to the previous two meetings, work was completed around the Local Area Agreement (LAA) in order for the grant to be certified, and the Head of Audit & Investigations carried out the Governance Review and produced the Council's Governance Statement earlier in the financial year.

Summary of Assurance Opinions

For the work finalised against the 2008/09 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 2007/08 financial year.

	Full	Substantial	Limited	None
2007/08	-	42% (23)	58% (32)	-
2008/09	-	100% (10)	0% (0)	-

The breakdown for the current financial year will be updated in future progress reports and within the Annual Report at year-end so as to provide the full year comparison.

It should be noted that a further 18 FMSIS assessments have been done with 12 schools passing and a further 6 receiving conditional passes, likely to become a full pass. Although no assurance rating is issued for these assessments, a pass means they have reached the required standard in financial management.

West London Framework

The Heads of Internal Audit from the original three boroughs making up the West London Framework, together with the recently joined Royal Borough of Kensington & Chelsea, have continued to meet with Deloitte 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.

The Committee will be updated on any specific developments in future meetings.

Customer Satisfaction

As highlighted to Members at the last 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.

To date, nine 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 eight audits and so we have had to summarise the feedback separately.

For the 2008/09 year to date, the average for the overall rating on each completed questionnaire is 4.22 out of 5. This represents an improvement on the average overall rating for 2007/08 work of 3.88.

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

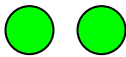



Detailed summary of work undertaken

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




We have four categories by which we classify internal audit assurance over the processes we examine, and these are defined as follows:

	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.

Direction of Travel

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

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

Recommendation Priorities

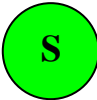


In order to assist management in using our internal audit reports, we categorise our recommendations according to their level of priority as follows:

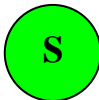
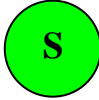
Priority 1	Major issues for the attention of senior management and the audit committee.
Priority 2	Important issues to be addressed by management in their areas of responsibility.
Priority 3	Minor issues resolved on site with local management.

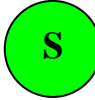
Summary Table


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 / has been reported on separately to the BHP Audit & Finance Sub-Committee.

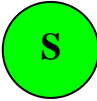
New audits being reported as final

Audit	Status as at 30 November 2008	Assurance Opinion	
Cemeteries	<p>Final Report.</p> <p>No priority 1 recommendations were raised as a result of this audit. However, we did raise five priority 2 and one 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	
Northgate Council Tax and Benefits Applications (IT)	<p>Final Report.</p> <p>No priority 1 recommendations were raised as a result of this audit. However, we did raise four priority 2 recommendations where changes can be made in order to achieve greater control.</p> <p>It should be noted that we have also provided a Direction of Travel assessment as part of the Assurance Opinion. From the work undertaken we identified that management have been pro-active in implementing recommendations raised in previous internal audits conducted in this area. As a result we have indicated a positive movement in the Direction of Travel.</p> <p>All of our recommendations were accepted for implementation by management.</p>	Substantial	 

Audit	Status as at 30 November 2008	Assurance Opinion	
<p>Communications & Consultation – Review of Internal Financial Controls</p>	<p>Final Report</p> <p>One priority 1 recommendation was raised as a result of this audit. This was as follows:</p> <ul style="list-style-type: none"> • Management should review the responsibilities of the Member Development Manager in relation to petty cash administration to ensure that proper segregation of duties is being achieved. <p>The petty cash account should be reconciled on a monthly basis and a standard pro-forma should be used for undertaking these reconciliations.</p> <p>We also raised 12 priority 2 recommendations where changes can be made in order to achieve greater control.</p> <p>All of our recommendations were accepted for implementation by management, with the exception of one priority 2 recommendation which was partly agreed for implementation.</p>	<p>Substantial</p>	
<p>Housing Allocations & Lettings</p>	<p>Final Report.</p> <p>One priority 1 recommendation was raised as a result of this audit. This was as follows:</p> <ul style="list-style-type: none"> • All home seeker applicants should provide evidence of their age and immigration status and that this requirement is clearly indicated on the housing application form and the Housing Allocations Scheme, policy & procedures. <p>We also raised six priority 2 recommendations where improvements can be made in order to achieve greater control.</p> <p>All of our recommendations were accepted for implementation by management.</p>	<p>Substantial</p>	

Audit	Status as at 30 November 2008	Assurance Opinion	
Melrose House – Establishment Audit	<p>Final Report.</p> <p>One priority 1 recommendation was raised as a result of this audit. This was as follows:</p> <ul style="list-style-type: none"> The Centre Manager should undertake appraisals on all permanent staff on an annual basis and document formal staff supervisions on an eight-weekly basis. In addition evidence of NVQ qualifications for all staff should be retained by the Centre. <p>We also raised eight priority 2 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	
Payroll (first visit)	<p>Final Report.</p> <p>Two visits are being undertaken in relation to Payroll as part of the 2008/09 Internal Audit Plan. The first visit was focussed on determining the progress made in relation to the implementation of the Interact system since the time of our 2007/08 work. The second visit will take place in January at which time we will be fully assessing the adequacy and effectiveness of controls from which an assurance opinion will be provided.</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"> Management should insist that Logica carry out reconciliations on a monthly basis and detail the information in a format which is useful to the Council. Payroll should carry out a review of this to ensure that all backing documentation supports the information provided in the bank reconciliation. <p>If Logica continue to fail to carry out the monthly reconciliation, this should be formally raised as an issue under the contract for</p>	N/A	N/A

Audit	Status as at 30 November 2008	Assurance Opinion	
	<p>the Payroll Service.</p> <ul style="list-style-type: none"> • Management should review their issues log to ensure that all issues identified within this report are covered, and that actions have been agreed, including deadlines and responsible officers, for addressing all known issues; and • Management should carry out a lessons learnt evaluation of the procurement and implementation of the Interact system and incorporate this into a change management framework which could be implemented across the Council. <p>We also raised one priority 2 recommendation where changes can be made in order to achieve greater control.</p> <p>In addition we followed-up the recommendations raised and agreed as part of our 2007/08 work, in order to determine the extent to which these have been fully implemented. Of the 15 recommendations raised, five were found to have been fully implemented, nine had been partly implemented, and one was no longer applicable due to changes in the system. Where recommendations had not been fully implemented we raised further actions where appropriate, although in some cases this was not necessary as management were in the process of fully implementing them. The breakdown of the follow-up is also included later in this Progress Report.</p> <p>All of our new recommendations and further actions were accepted for implementation by management.</p>		
Resident Involvement (BHP)	Final Report Reported to the BHP Audit & Finance Sub-Committee in October 2008.	Substantial	

Audit	Status as at 30 November 2008	Assurance Opinion	
Rent Arrears Management (BHP)	Final Report Reported to the BHP Audit & Finance Sub-Committee in October 2008.	Substantial	
Resident's Associations Lettings Income (BHP)	Review of Financial Records and Guidance on Internal Controls over lettings Income & Expenditure	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 30 November 2008	Assurance Opinion
Environmental Health	Discussing Management Responses to the Draft Report.	-
Frameworki (IT)	Discussing Management Responses to the Draft Report.	-
Housing and Council Tax Benefits	Awaiting Management Responses to the Draft Report.	-
Common Assessment Framework	Awaiting Management Responses to the Draft Report.	-
Freedom Passes	Awaiting Management Responses to the Draft Report.	-
Self Directed Support	Awaiting Management Responses to the Draft Report.	-
Direct Payments	Awaiting Management Responses to the Draft Report.	-
Northgate Council Tax and Benefits Applications (IT)	Awaiting Management Responses to the Draft Report.	-
Data Centres (IT)	Awaiting Management Responses to the Draft Report.	-
HR & Diversity - Review of Internal Financial Controls	Awaiting Management Responses to the Draft Report.	-
Trading Standards – Review of Internal Financial Controls	Awaiting Management Responses to the Draft Report.	-
Facilities Management	In progress.	-
Council Tax	In progress.	-
NNDR	In progress.	-

Audit	Status as at 30 November 2008	Assurance Opinion
Recruitment of Agency Workers	In progress.	-
Local Area Agreement (LAA) Stretch Targets	In progress.	-
Remote Working (IT)	In progress.	-
Information Governance & Security (IT)	In progress.	-
Housing Rents (BHP)	In progress.	-
South Kilburn NDC – Review of Management Controls	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 30 November 2008
Elsley Primary School	Pass	Finalised.
Christ Church Primary School	Pass	Finalised.
St Andrew and St Francis C.E Primary School	Pass	Finalised.
Our Lady of Lourdes Primary School	Pass	Finalised.
Michael Sobell Sinai School	Pass	Finalised.
Uxendon Manor Primary School	Pass	Finalised.
Malorees Infant School	Pass	Finalised.

School	Assessment Outcome	Status as at 30 November 2008
Preston Park Primary School	Pass	Finalised.
Mount Stewart Infant School	Pass	Finalised.
Sudbury Primary School	Pass	Finalised.
St Mary's	Pass	Finalised.
Kingsbury Green Primary School	Pass	Finalised.
Barham Primary School	Conditional Pass	Currently querying the evidence provided to us in order to confirm whether all recommendations have been addressed in order for us to award the full Pass.
Harlesden Primary School	Conditional Pass	Currently querying the evidence provided to us in order to confirm whether all recommendations have been addressed in order for us to award the full Pass.
Gladstone Park Primary School	Conditional Pass	Currently querying the evidence provided to us in order to confirm whether all recommendations have been addressed in order for us to award the full Pass.
Oliver Goldsmith Primary School	Conditional Pass	Currently querying the evidence provided to us in order to confirm whether all recommendations have been addressed in order for us to award the full Pass.
Mitchell Brook Primary School	Conditional Pass	Currently querying the evidence provided to us in order to confirm whether all recommendations have been addressed in order for us to award the full Pass.
Donnington Primary School	Conditional Pass	Currently querying the evidence provided to us in order to confirm whether all recommendations have been addressed in order for us to award the full Pass.
Salisbury	-	Currently reviewing the work prior to issuing the Draft Report.
Byron Court	-	Currently reviewing the work prior to issuing the Draft Report.

Audits previously reported to Committee as final

The table below sets out those audits from the 2008/09 Internal Audit Plan which have previously been reported to the Committee as final. They are included here so as to provide Members with an overview of the work completed for the year to date, together with the assurance opinions awarded.

Audit	Status as at Audit Committee meeting on 4 March 2008	Assurance Opinion	
Home Improvement Grants	Final Report. Previously reported to the Audit Committee in September 2008.	Substantial	
Interact Payroll & HR Application Audit (IT)	Final Report. Previously reported to the Audit Committee in September 2008.	Substantial	
Gas Servicing (BHP)	Final Report. Reported to the BHP Audit & Finance Sub-Committee and previously highlighted as Final to the Audit Committee in September 2008.	Substantial	
Section 52(9) Waste Charges	Final Report. Previously reported to the Audit Committee in September 2008.	N/A	N/A
Local Area Agreement (LAA) Grant Certification	Final Report. Previously reported to the Audit Committee in September 2008.	N/A	N/A
Tendering of the Highway Maintenance Works Contracts	Final Report. Previously reported to the Audit Committee in September 2008.	N/A	N/A
Housing Repairs & Maintenance Pilot (BHP)	Final Report. Reported to the BHP Audit & Finance Sub-Committee and previously highlighted as Final to the Audit Committee in September 2008.	N/A	N/A

Follow-Up of 2007/08 Recommendations

The table below provides a summary of the findings from the follow-up work undertaken for the year to date, for which a final report has been issued. The purpose of this work is to determine the extent to which recommendations raised as part of our 2007/08 internal audits, as agreed with management at the time, have now been implemented. For each audit we have issued management with a report setting out our findings. 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.

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	Assurance Opinion	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	
Potholes		1			4			1			6				
Dropped Kerbs		1			3	1			1		4	2			
Cashiers					1			2			3				
Pensions Administration					1	2		2			3	2			
Bulky Waste			1			1	1					2	1		<ul style="list-style-type: none"> Collection Charge Analysis.
		2	1		9	4	1	5	1		16	6	1		

In addition to the above, the following 2007/08 audits have also been followed-up or are in the process of being followed-up at present. Once we have issued the final reports for each of these, we will include the findings in the table above. The updated table will be reported to future Committee meetings.

The audits are as follows:

- BACES - awaiting management responses to the Draft Follow-Up Report;
- Parking Enforcement - discussing management responses to the Draft Follow-Up Report;
- Adult Care Packages - in progress;
- Arboriculture - in progress;
- Planning Applications – in progress;
- GIS (IT) - in progress;
- IDEAR (IT) - in progress;
- Bankline (IT) - in progress;
- Oracle Application (IT) - in progress;
- Epicore Application (IT) - in progress;
- NNDR Academy Application (IT) - in progress;
- View 360 Application (IT) - in progress;
- Client Index Pre-Implementation (IT) - in progress; and
- Non-Stop Gov (IT) - in progress.

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
Cemeteries	5	5	5	3	5	4	4

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
Resident Involvement (BHP)	4	4	4	4	5	4	4
Cashiers (follow-up)	5	5	5	5	5	4	5
Bulky Waste (follow-up)	5	4	5	5	5	5	5
Dropped Kerbs (follow-up)	5	4	5	4	5	4	4
Potholes (follow-up)	4	4	5	4	5	5	4

Appendix A – Audit Team and Contact Details

London Borough of Brent	Contact Details
Simon Lane – Head of Audit & Investigations	✉ simon.lane@brent.gov.uk
Aina Uduehi – Audit Manager	☎ 020 8937 1260
	✉ aina.uduehi@brent.gov.uk
	☎ 020 8937 1495

Deloitte & Touche Public Sector Internal Audit Limited	Contact Details
Richard Evans – General Manager	✉ phil.lawson@brent.gov.uk
Phil Lawson – Senior Audit Manager	☎ 020 8937 1493
Shahab Hussein – Senior Computer Audit Manager	