

## LONDON BOROUGH OF BRENT

### Report to Performance & Finance Select Committee

#### REPORT FROM THE DIRECTOR OF FINANCE

FOR INFORMATION/ACTION

ALL WARDS

#### **INTERNAL AUDIT INTERIM MONITORING REPORT FOR 2003/04 - PROGRESS REPORT ON THE 2003/04 AUDIT PLAN**

##### **1. Summary**

- 1.1. The purpose of this report is to advise the Performance and Finance Select Committee on progress against the 2003/04 audit plan as at the end of October 2003. The 2003/04 Audit Plan was approved by the Performance & Finance Select Committee in July 2003<sup>1</sup>.
- 1.2. The report provides a summary of key audit findings and recommendations made on audits that have been completed to date. Our audit work has focused on the reliability of the financial and operational information, management accounting controls, safeguarding of assets, economy and efficiency of operations and review of compliance with relevant statutes and Council regulations.

##### **2. Recommendations**

- 2.1. The Finance and Performance Select Committee note the content of the report.

##### **3. Financial Implications**

- 3.1. None.

##### **4. Staffing Implications**

- 4.1. None

##### **5. Detail**

- 5.1. The 2003/04 Audit Plan was approved by the Performance & Finance Select Committee in July 2003. The plan allocated some 1,362 audit days across three distinct areas: Financial Reviews, Schools and Systems Audits.
- 5.2. Due to the nature of the Council's Financial arrangements the Internal Audit Team is required to undertake a significant amount of work to provide our external auditors with assurances about the integrity of our accounting

systems. In order to facilitate the closure of accounts process the focus of internal audit work during the first half of the year has been on reviewing the financial statements and internal financial controls within individual service units. These financial reviews are undertaken on areas which are regarded as high risk.

- 5.3. In addition we have also undertaken a small number of systems audits which have focused on the review of management controls within specific operational areas. A number of significant recommendations have resulted from both the financial and systems audits and these are intended to improve the quality of controls within the various activities reviewed. The key findings and recommendations are summarised in Appendix 1 of this report.
- 5.4. Internal Audit continues to be subject to a shortage of permanent staffing resources due to a general shortage of appropriately skilled staff across London Authorities. The bulk of the operational work is, therefore, being undertaken by Agency staff. The staffing arrangements are by no means ideal. The use of agency staff leads to continuity problems and also means that staff do not build up the breadth of knowledge of the organisation which is required to provide a fully effective internal audit service.
- 5.5. The staffing crisis in London is severe and is repeated in many other London Internal audit teams.
- 5.6. In spite of these difficulties, the team was on course to achieve 90% of the audit plan by the end of the financial year. However, during October and November 2003 the team will lose three agency staff, who have been with us for some time and one permanent member of staff. These departures threaten our ability to complete the audit plan and, therefore, the degree of assurance we will be able to give regarding the systems of financial control.
- 5.7. The Head of Audit and Investigations and the Audit Manager are currently attempting to fill these posts with agency staff pending a recruitment campaign early in the new year.
- 5.8. The intention for the remainder of the financial year is to complete all of the financial audits by the end of November 2003 and to dedicate the remainder of the year to the schools and systems audits as indicated on the annual audit plan.
- 5.9. Deloitte Touche who are contracted to undertake the review of the Authority's main IT systems have commenced their section of the audit plan. The IT audits are on course to be completed by the end of the financial year.

- 5.10. The following table indicates the audits completed to date. All those at draft stage have been issued to the relevant Service Area and are awaiting a response. In future all audit reports will be graded as a means of highlighting areas where internal controls are either considered to be strong at one extreme or weak at the other extreme.

<b>Audit Title</b>	<b>Status</b>
<b>Financial Audits</b>	
Legal Services	Draft Report
Property Services	Draft Report
Chief Executive and Committee Services	Draft Report
Human Resources & Consultancy Services	Draft Report
One Stop Shop	Draft Report
Social Inclusion Unit	Draft Report
Youth & Voluntary Support Service	Draft Report
Cemeteries & Mortuary Service	Draft Report
Parking Control	Final Report
StreetCare	Draft Report
Parks Service	Draft Report
Private Housing Services (Contractor, Client & Works in Default accounts)	Draft Report
Children's Services (operational and purchasing Accounts)	Draft Report
Brent Mental Health Services (operational and purchasing accounts)	Draft Report
Older People Services (operational and purchasing accounts)	Draft Report
<b>System Audits</b>	
Review of Best Value Performance Indicators	Final Report
Review of Capital Programme in Transportation (Environment)	Final Report
Review of Income Procedures at Bridge Park (Environment)	Draft Report
Review of Asylum Seekers (Housing)	Final Report
Review of Bed & Breakfast & Temporary Accommodation (Housing)	Draft Report
Review of Building Control (Environment)	Draft Report
Libraries (Education, Arts & Libraries)	Draft Report
Parking Enforcement (Environment)	Draft Report
Review of Lorry Park and Contract Monitoring Arrangements (Parking Control)	Final Report

## 6. Background Information

1. REPORT NO. BFS 2/35 FROM THE DIRECTOR OF FINANCE - INTERNAL & EXTERNAL AUDIT PLANS FOR 2003/04, *Performance and Finance Select 16<sup>th</sup> July 2003*

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