

LONDON BOROUGH OF BRENT

Report to Performance and Finance Select Committee

22nd September 2004

REPORT NO. BFS 3/52/04 FROM THE DIRECTOR OF FINANCE

FOR INFORMATION/ACTION

ALL WARDS

INTERNAL AUDIT MONITORING REPORT ON THE 2003/04 AUDIT PLAN

1. Summary

- 1.1. The purpose of this report is to summarise the activities of internal audit during the 2003/04 financial year. The 2003/04 Audit Plan was approved by the Performance & Finance Select Committee in July 2003¹.
- 1.2. The report provides a summary of key audit findings made on audits completed during the 2003-04 financial year. We reported to the Performance and Finance Select Committee in October 2003 on the progress of our audits at that date. The audits reported then have been excluded from the summary of key audit findings and recommendations in this report. As previously indicated our audit work 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. Legal Implications

- 4.1. The Accounts and Audit Regulations 2003 requires that the Council has a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risks.
- 4.2. For the first time in the accounts for 2003/04 financial year, the Council is required to include a statement on internal control within its Statement of Accounts.

5. Staffing Implications

- 5.1. None

6. Diversity Implications

- 6.1. The proposals in this report have been subject to screening and officers believe that there are no diversity implications arising from it.

7. Detail

- 7.1. 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 (including IT audits).
- 7.2. 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 was on reviewing the financial statements and internal financial controls within individual service units. More reviews were undertaken in this area than initially planned, which meant that a number of system reviews had to be carried forward into 04/05. The financial reviews are undertaken on areas which are regarded as high risk. In the second half of the year our focus was on completing the financial reviews and undertaking systems as well as schools audits.
- 7.3. Internal Audit continued to be subject to a shortage of permanent staffing resources during the 2003-04 financial year mainly as a result of a general lack of appropriately skilled staff across London Authorities. The bulk of the operational work in 2003-04 was therefore undertaken with assistance from agency staff. The shortage of appropriately skilled staff and the loss of the principal auditor during the year, had an impact on the number of systems audit projects completed (although as indicated above, the number of financial audits also had an impact on this). Some audits were postponed at the instigation of the service area, either because appropriate mechanisms still needed to be put in place before we could undertake the review (Housing Services – major advice contracts), because the service had recently been the subject of an Inspection – (Housing – Supporting People) or because of organisational changes which meant that it was not feasible for some audits to be carried out (SRB schemes). Some of the other areas of audit were covered as part of either the financial audits undertaken in units and schools (Health & Safety arrangements at schools, personnel procedures, review of management controls in the Cemeteries & Mortuary Services, Brent Play Service and Private Housing Services). A number of audits were replaced by others at the request of management (e.g. the review of controls at Bridge Park replaced the audit of Highways (construction & maintenance). Internal Audit also carried out a number of systems audits for the Brent Housing

Partnership (BHP) which formed part of the 2003/04 audit plan, and reported to the BHP Finance Committee.

- 7.4. Internal Audit has recently filled a number of permanent audit posts (August 2004) and with appropriate training the new officers will be able to contribute effectively to the Internal Audit function and assist with the achievement of the audit plan. The unit currently consists of 8 staff of which 6 are permanent.
- 7.5. In spite of the difficulties indicated above, the team achieved 73% of the 2003-04 audit plan. The short fall in the plan relates to systems audit work not undertaken for reasons indicated above. During October and November 2003 the team lost three agency staff members, who had been in post for some time and one permanent member of staff. These departures had a substantial impact on the team's ability to complete the audit plan.
- 7.6. Deloitte Touche who are contracted to undertake the review of the Authority's main IT systems completed the IT audits included as part of the audit plan.

The following table indicates the audits completed during the 2003-04 financial year

Financial and School Audits
Brent Learning Disability Partnership – Operational Account
Brent Learning Disability Partnership – Purchasing Account
Brent Play Service
Children Services – Operational Account
Cemeteries & Mortuary Service
Children Services – Purchasing Account
Communications & Consultation
Corporate IT
Corporate Legal Services
Corporate Property Services
Human Resources & Consultancy
Mental Health Services – Operational Account
Mental Health Services – Purchasing Account
Older People Services – Purchasing
Older People Services – Operational
One Stop Shop
Parking Control
Private Housing Services – Contractor Account
Private Housing Services – Client Account
Private Housing Services – Works in Default Account
Social Inclusion Unit
StreetCare

Youth & Voluntary Sector Support Service – 2 accounts
Schools
Barham Primary School
Brentfield Primary School
Byron Court Primary School
Cardinal Hinsley
Carlton Nursery
Furness Primary School
Islamia Primary School
John Keble Primary School
Malorees Junior School
Mitchell Brook Primary School
Northview Primary School
Park Lane Primary School
Preston Park Primary School
Roe Green Junior School
St Mary Magdalene
St Robert Southwell Primary School
Wembley High School
Systems Audits
Transportation – Review of Capital Programme
Bridge Park – Review of Internal Controls
Best Value Performance Indicators
Asylum Seekers
Parking Control – Review of Lorry Park
Building Control
Parking Enforcement
Payments to Foster Parents
Homelessness and Temporary Accommodation
Epicor Applications – IT Audit
E-payments – IT Audit
E-mail Security & Administration – IT Audit
Laptop & PC Controls – IT Audit
Epicor Applications – IT Audit
Housing Benefits/ Council Tax – Management Review IT Audit
National Non-Domestic Rates – IT Audit
Disaster Recovery – IT Audit
Spectrum Application - IT Audit
IWorld Application Review – IT Audit
Oracle Financials – Application Review – IT Audit

Project Management – IT
Procurement Procedures – Brent Housing Partnership – reported to BHP Board
Housing Rents (BHP) – Reported to BHP Board
Voids & Disrepair (BHP) – reported top BHP Board
Leasehold Management Review (BHP) – reported to BHP Board
Kilburn Square Tenant Management Organisation – (BHP) reported to BHP Board

7.7 Internal Audit seek to ensure that recommendations within Audit reports are implemented when appropriate. This is done primarily by follow-up visits or written contact with the units. However, this process is inevitably dependent on available resources to the unit.

8. Background Information

1. REPORT NO. BFS FROM THE DIRECTOR OF FINANCE - INTERNAL & EXTERNAL AUDIT PLANS FOR 2003/04, *Performance and Finance Select Committee - July 2004.*

Any person wishing to inspect these documents should contact Aina Uduehi, Audit Manager, Audit and Investigations, Room No.1, Town Hall Annexe, Forty Lane, Wembley, Middlesex HA9 9HD. Tel. 020 8937 1495.

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