



**Audit and Standards Advisory
Committee**
29th July 2020

**Report from the Director of Legal
HR Audit and Investigations**

Internal Audit Annual Report 2019/20

Wards Affected:	All
Key or Non-Key Decision:	Non-Key
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
No. of Appendices:	Three Appendix A: High Risk Issues from 2019/20 Audits Appendix B: Follow Up Reviews Appendix C: Issues Raised in School Audits 2019/20
Background Papers:	None
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Michael Bradley, Head of Audit and Investigations, Michael.bradley@brent.gov.uk Tel: 07920 581620

1. Summary

- 1.1. This report includes an opinion on the overall adequacy and effectiveness of the Council's internal controls and presents a summary of the Internal Audit work undertaken during the year.

2. Recommendations

- 2.1. The Audit and Standards Advisory Committee note the content of the report.

3. Detail

- 3.1. The Accounts and Audit Regulations 2015 require the Council to undertake an internal audit of its control systems, taking into account the Public Sector Internal Audit Standards (PSIAS). These require the Head of Audit to deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The annual report must incorporate:

- the opinion;
- a summary of the work that supports the opinion, and
- a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

Opinion of the Head of Audit and Investigation

- 3.2. This report gives a summary of the work carried out by Internal Audit in 2019/20. From the work undertaken during the year, my overall opinion on the Council's system of internal control is that:

I have considered all of the work conducted by Internal Audit for the year ended 31 March 2020.

In my opinion, with the exception of those areas in which there were a number of high risk issues raised (as set out below), the controls in place in the areas reviewed are adequate and effective.

Where weaknesses have been identified within internal audit reports and investigations, these have been accepted and actions agreed by management.

The framework for governance is set out in the annual governance statement and, in my view, this is an accurate description of the governance arrangements.

In relation to risk management, I have oversight of the risk management process and conclude that a range of significant risks for the authority have been identified and are being managed.

Summary of Work Undertaken

- 3.3. The 2019/20 Audit Plan was approved by the Audit and Standards Advisory Committee in March 2019. The plan had a total of 55 audits (excluding follow up reviews, schools audits and advisory work). The plan has been delivered via an in-house team in partnership with a contracted service from PWC.
- 3.4 We have liaised with senior management throughout the year to ensure that internal audit work focuses on high risk areas and, in light of new and ongoing developments in the organisation, ensure the most appropriate use of resources. Due to the ongoing Coronavirus situation a number of this year's audits have had to be postponed and have been rescheduled in 2020/21,

Internal Audits	Number
Additions to plan during year	3
Completed	33
In progress - draft reports issued to management	7
In progress - fieldwork	5
Deferred to 2020/21	7
Cancelled	6

Schools	9
Follow Up Reviews	34

- 3.5 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.
- 3.6 For each audit where controls have been analysed and a report agreed with management, an assurance opinion was given previously. This grading mechanism provided an indication of the level of confidence in the controls in operation and the extent to which they are being applied. For 2019/20 this grading system is no longer being used and an indication of the level of confidence is now gained by examining the number of issues raised and their associated risk level.
- 3.7 The following table shows the audits completed during the 2019/20 financial year and the number of issues raised together with their risk level. Key themes are captured below. Audits raise issues and assist management in identifying cost-effective actions to mitigate. Management have engaged fully with Audit in identifying these areas and then in undertaking and concluding the mitigation work.

Audit	High Risk Issues	Medium Risk Issues	Low Risk Issues
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Key Financials

Barham Park Accounts	Review of Accounts		
P2P Project	0	5	0
General Ledger	1	1	1
Payroll	3	3	1
Capital Programme Project	Consultancy Review		
VAT	0	4	1
Pension Fund	0	2	2

Community and Wellbeing

Disabled Facilities Grants	0	0	2
Discretionary Housing payments	0	4	0
Joint Front Door	0	4	0
Licensing of Landlords	0	2	1

London Borough of Culture	0	4	1
Housing Allocation	0	3	0

Children and Young People

Virtual School	0	0	1
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Customer and Digital Service

IT Licencing	1	2	1
Enforcement Agents	0	1	0
Procurement	2	4	0
IT Access and Identity Management	1	5	0
G2 PO Investigation	Consultancy Review		

Regeneration and Environmental Services

Car Parks	0	2	2
Cemeteries	0	2	1
Fraud Investigation assistance	Consultancy Review		

Legal/Human Resources

IR35	0	4	0
Recruitment and Retention	0	1	0
Staff Benefits	3	3	0
Apprenticeships	0	1	3
Attendance Management	0	1	1
Legal Services - Case Risk Management	0	2	3

Corporate/Cross Cutting

Brexit Preparation	2	2	2
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Assistant Chief Executive

Prevent	0	4	2
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i4B/First Wave Housing

I4B Acquisitions	2	0	1
First Wave Housing Rent Collection	1	3	0
Quintain Financial Model	1	1	0

- 3.8 Further details on the high risk issues raised can be found in Appendix A.
- 3.9 Draft reports have been issued to management and are awaiting responses on the following audits:
- IT Sourcing & Procurement
 - Schools Capital Programme
 - Children Disability Placements
 - Registrars
 - Platform Review
 - IT Governance
 - Robotic Process Automation
- 3.10 Key themes identified across audits were:
- Programme and Project Management including methodology and assurance;
 - Policies and Procedures including missing or out-of-date processes and procedures, and
 - Operational risk management in services including the escalation of risks.
- 3.11 Internal Audit also completed a number of grant claim certifications for the Troubled Families Programme.

Follow up Reviews

- 3.12 As part of the audit process, follow-up reviews are carried out to ensure that agreed management actions in respect of significant risks have been implemented. This process continued through 2019/20.
- 3.13 During the year 34 follow-up reviews were completed which included seeking evidence that 309 management actions had been implemented as agreed. The results of which were:

Action Status	Number
Implemented	221
Partially Implemented	64
Not Implemented	22
No Longer Relevant	2

- 3.14 Where actions remain partially or not implemented, revised completion dates have been agreed with management when Internal Audit will revisit to confirm

implementation where appropriate. Details of the follow up reviews are set out in Appendix B.

- 3.15 Work continues in ensuring the status of all outstanding recommendations are reported appropriately to the Council Management Team for action and the Audit and Standards Advisory Committee for information.

Schools

- 3.16 A programme of school audits has been carried out during 2019/20 with a focus on financial processes and the accompanying back office resources. There were eight schools reviewed where we worked with school staff in order to provide assurance to Governing Boards and the Council that appropriate controls and processes are in place or that work is being done to reach required standards. The final two school reviews scheduled to take place during quarter four were postponed until the next financial year due to the ongoing Coronavirus situation.

- 3.17 Testing was carried out to ensure that schools were operating within a robust governance, risk management and control framework, ensuring that their resources are managed and used appropriately and effectively in order to enable the education of the pupils. In most of the schools reviewed, standards were 'reasonable' or higher. Although issues were raised at all schools visited, many were quite minor in nature.

- 3.18 Re-occurring themes identified across school audits were:

- Governance
 - Policies and Procedures -including those missing, or out of date;
- Purchasing and Expenditure
 - Insufficient quotations obtained for high value purchases, and
 - Purchase Orders not being raised and goods and services not being correctly receipted.
- HR and Payroll
 - Inadequate process and procedures for starters and leavers, and

Further information on the areas where issues were raised are included in Appendix C.

- 3.19 A follow up review was also completed at Leopold Primary School, following a 'No Assurance' rating given in a previous year. The follow up found that there had been significant improvements in the overall risk management, governance and internal control processes of the School.

- 3.20 Internal Audit continue to attend the Teachers' Panel and School Information Exchange meetings to discuss the audit process, key risk areas and any other concerns raised by schools.

Internal Audit Performance

- 3.21 While we ensured that the priority audits and associated key risks were addressed during the year, there were a number of reviews in the audit plan that could not be completed during 2019/20 due to under resourcing and latterly the ongoing

Coronavirus situation. These have been risk assessed and a number of them have been rescheduled in 2020/21.

- 3.22 A successful recruitment campaign was completed in March and the new recruit will be starting in July 2020. Once in place this should bring increased stability and performance. The team continues to be supplemented by a contracted resource from PWC.

Customer Satisfaction

- 3.23 Management have provided feedback on individual audits which has been incorporated into the continuous improvement of the service where relevant.
- 3.24 A total of 12 questionnaires were returned, a return rate of 29%. The questionnaires ask the auditees to provide feedback on areas including usefulness of the audit, quality of the report and usefulness of any recommendations made. 92% of responses were positive with either a satisfied or very satisfied opinion.

Quality Assurance and Improvement Programme

- 3.25 The Public Sector Internal Audit Standards (PSIAS) state that an external assessment must be conducted at least once every five years by a qualified, independent assessor. This was carried out during 2018/19 and the result was reported to the Audit and Standards Advisory Committee.
- 3.26 The conclusion of that review was that the Brent Internal Audit Service conformed with the PSIAS. The outcome reflected a professional and successful Internal Audit service. The service commands a good level of respect and credibility across the Council and is seen as a key part in supporting and developing good governance within the Council.
- 3.27 An internal assessment is now due and this will be carried out during 2020/21 with the results to be reported to the Audit and Standards Advisory Committee.

4. Diversity Implications

None

5. Background Papers

None

6. Contact Officer Details

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Appendix A

High Risk Issues from 2019/20 Audits

A high risk issue is one that could have a:

- Significant impact on operational performance; or
- Significant monetary or financial statement impact; or
- Significant breach in laws and regulations resulting in significant fines and consequences; or
- Significant impact on the reputation or brand of the organisation.

Audit Title	High Risk Issues
IT Access and Identity Management	<ul style="list-style-type: none">• Access to applications.
Staff Benefits	<ul style="list-style-type: none">• Effective and regular management reporting and reconciliations of staff beneficial loans;• Loan policy or procedures and roles and responsibilities;• Central record of loans issued.
First Wave Housing Rent Collection	<ul style="list-style-type: none">• Rent Collection KPI.
Brexit Preparation	<ul style="list-style-type: none">• Brexit governance and tracking, and• Risk identification, assessment and alignment;
Procurement	<ul style="list-style-type: none">• Procurement Strategy should be updated to ensure alignment with the Borough Plan, and• The contract register online portal, Due North, is not up to date.

I4B Acquisitions	<ul style="list-style-type: none"> • Acquisition Data - discrepancy between the number of recorded properties acquired on CRM Dynamics and manual spreadsheets kept by i4B, and • Property Sourcing: property acquired outside of the documented acquisition and approval process.
IT Licencing	<ul style="list-style-type: none"> • Tracking of Software Expenditure.
General Ledger	<ul style="list-style-type: none"> • No bank reconciliations have taken place since April 2019 due to ongoing issues with AIMS.
Payroll	<ul style="list-style-type: none"> • Oracle payroll agent's management access controls are not robust; • No actions taken to recover overpayments from ex-employee, and • Discrepancies identified in payments bank account reconciliation.
Quintain Financial Model	<ul style="list-style-type: none"> • Assumption testing and setting of the income and capital growth.

Appendix B

Follow Up Reviews

Audit Title	Management Actions			
	Implemented	Partially Implemented	Not implemented	No Longer relevant
Cross Cutting				
Corporate Governance - Decision Making	9	1	2	0
Data Security	1	0	0	0
Emergency Planning	2	0	0	0
LB Culture	5	0	0	0
CWB				
Introductory Tenancies	14	6	0	0
Safeguarding Adults	8	0	0	1
Single Pathway	8	0	2(1)	0
Libraries - Stock Control	0	3	0	0
Joint Front Door	9	0	0	0
Licensing of Landlords	2	2	0	1
CYP				
Unaccompanied Asylum Seeking Children	5	0	0	0
Looked After Children	5	0	0	0
Children In Need	8	0	0	0
School Effectiveness/Monitoring	8	0	0	0
i4B				
i4B Property Acquisitions	4	2 (1)	0	0
C&DS				
Digital Strategy	10	1	0	0
Mosaic	8	4	0	0

IT Device Provision Project Assurance	14	0	0	0
Northgate	12	3	0	0
IT Licencing	9	4	0	0
RBV Benefits	1	6 (1)	0	0
Property Payments	13	0	0	0
Discretionary Housing Payments	4	2	0	0

R&ES

Licensing	14	6 (2)	0	0
Community Safety	3	1	0	0
Trading Standards	1	1	1	0
Property Asset Register	15	0	0	0
Footways Business Case Review	11	0	4	0
Arboriculture	2	1	3	0

Finance

Supplier registration	0	4 (3)	2	0
P2P Programme	4	1	0	0
Accounts Receivable	7	4 (1)	4 (3)	0

HR

Staff Performance Management	0	8 (8)	4	0
IR35	5	4	0	0

The numbers in brackets indicate where high risk actions were either partially or not implemented. These will be subject to further follow up to ensure they are fully addressed.

Appendix C

Issues Raised in School Audits 2019/20

School	Governance	Financial Management	Purchasing & Expenditure	Asset Management	HR & Payroll	Income Charging and Banking	Data Protection	Contracts & Leases	Lettings
Brent River College	✓	✓			✓		✓		
Barham Primary School	✓		✓	✓				✓	
Sinai Jewish Primary School	✓	✓							✓
Wembley Primary School	✓	✓	✓					✓	
Fawood Children's Centre	✓		✓	✓	✓	✓			
Avigdor Hirsch Torah Temimah Primary School	✓		✓	✓	✓	✓		✓	
Granville Plus Nursery School	✓	✓	✓	✓	✓				
Fryent Primary School	✓	✓	✓	✓	✓			✓	

Risk

✓	High	✓	Medium	✓	Low
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