**Internal Audit
Progress Report 2012/13
London Borough of Brent**

January 2013

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Executive Summary

Introduction	This report sets out a summary of the work completed to date against the 2012/13 Internal Audit Plan, including the assurance opinions awarded and any high priority recommendations raised.
	Those audits reported on at previous meetings have been removed, but reference can be made to the full list of assurance opinions in the cover report.

Summary of Work Undertaken	A range of audits have been undertaken since the last meeting, comprising both financial and non-financial systems, some One Council Projects and work across the schools.
	The Final Reports issued since the last meeting relate to the following areas, with further details of these provided in the remainder of this report:
	- The Language Shop - Pension Administration - Partnership management - Public Sector Reform – Policy and Key Legislative Changes - Building Control and Enforcement - Appointeeship, Receivership, and Power of Attorney - Accounts Receivable - Accounts Payable - General Ledger - Staff Expenses Testing - Roe Green Junior School - Roe Green Infants School - Elsley School - Oliver Goldsmith School - St Joseph's Primary RC School - Torah Temimah - BHP V5 (Housing System Application Audit)

	BHP Tenant Management Organisations (Watling Gardens)
	• BHP Tenant Management Organisations (Watling Gardens)
	• BHP Tenant Management Organisation (Kilburn Square TMO)
	• BHP Procurements (Non Major Works)
	• BHP Housing Rents

One Council Project	**Web Enhancement Project**
	Since the last meeting a computer audit of the web enhancement project (automated customer contact) was undertaken. The Web Enhancement project is taking place as part of the Council's One Council IT Programme and the project is expected to improve the customer service experience of the brent.gov.uk website and streamline the procedure for managing the content of the website. The project is expected to go live in January 2013 and actions against our recommendations are being agreed at the time of writing this report in December 2012.
	Project Athena
	The Council is currently working with the other local authorities in preparation for the launch of the new Oracle system which will be operated using new operational procedures and Oracle Cloud from August 2013. The Audit Managers have attended the Finance Implementation Team (FIT) meeting for the first time in early December and they will continue to attend the meetings until the project launch. In addition, as part of this, the Audit Managers will work with the FIT in respect of Governance Risk Compliance.

Summary of Assurance Opinions and Direction of Travel	A summary of the assurance opinions and direction of travel assessments is as follows, as compared to the previous two financial years.

Assurance Opinions

	Full ⬤⬤	Substantial ⬤	Limited ⬤	None ⬤
2010/11	-	71% (29)	29% (12)	-
2011/12	-	42% (22)	50% (26)	8% (4)
2012/13	-	60% (12)	35% (7)	5% (1)

<div align="center">Direction of Travel</div>

|	Improved ⟹	Unchanged ⟺	Deteriorated ⟸
2010/11	5	4	-
2011/12	5	4	2
2012/13	2	1	1

For the Committee's reference, the definitions of the assurance opinions and direction of travel assessment are included at Appendix A.

Follow-Up of Previously Raised Recommendations	As part of our rolling programme, all recommendations are being followed-up with management, as and when the deadlines for implementation pass. This work is of high importance given that the Council's risk exposure remains unchanged if management fail to implement the recommendations raised in respect of areas of control weakness. A key element of the Audit Committee's role is to monitor the extent to which recommendations are implemented as agreed and within a reasonable timescale, with particular focus applied to any priority 1 recommendations. The current level of implementation is as per the chart on the following page. Of the recommendations followed-up, 72% had either been fully or partly implemented, or are no longer applicable due to changes in the scope of operations. Of the priority 1 recommendations, 70% had either been fully or partly implemented. Whilst the implementation rates are relatively low, one of the key reasons provided by management is that the recommendations will need to be implemented in line with the major changes taking place such as the Athena project.

Implementation of Recommendations

- Implemented
- Partly Implemented
- Not Implemented
- No Longer Applicable
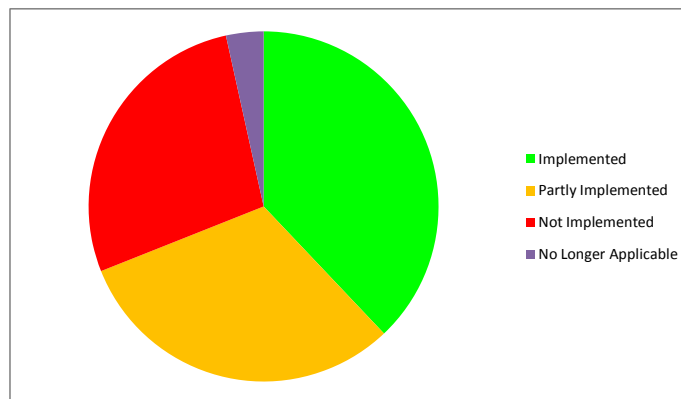
Detailed summary of work undertaken

FULL / SUBSTANTIAL ASSURANCE REPORTS

Only the assurance opinion and direction of travel is being reported on for those audits for which Substantial Assurance was given. The Committee's focus is directed to those audits which received a Limited Assurance opinion.

Audit	Assurance Opinion and Direction of Travel
Pension Administration	S ⇔
General Ledger	S ⇒
Accounts Receivable	S ⇒
Partnership Management	S
Public Sector Reform – Policy and Key Legislative Changes	S
Building Control and Enforcement	S

Audit	Assurance Opinion and Direction of Travel
SCHOOLS	
Roe Green Junior	S
Roe Green Infants	S
Elsley	S
Oliver Goldsmith	S
St Joseph's Primary RC	S
BHP	
Procurements (Non Major Works)	S
Housing Rents	S

LIMITED ASSURANCE REPORTS – General Audits

For all Limited Assurance reports, we have included a brief rationale, together with details of any **priority 1** recommendations raised, including the agreed actions to be taken and deadlines for implementation. These are the key audits and recommendations which the Committee should be focusing on from a risk perspective. The only exception is for any BHP reports, for which the details have been reported separately to the BHP Audit & Finance Sub-Committee.

Accounts Payable

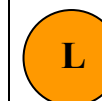|	
Overall, management have continued to work with Service Areas (SAs), taking steps to embed and improve the control processes relating to payments. However, weaknesses were identified in respect of supplier bank account changes and CHAPS payments.	**L**
The Direction of Travel provides a comparison with any prior audit visit. In this case the arrow indicates that the assurance level has deteriorated since the last audit visit when a substantial assurance was given. As indicated above, the overall payment process has remained the same and the main factor affecting the assurance level was around supplier bank account changes.	⇐
It should be noted that given the current economic climate and the major transformations taking place within the Council both staffing structure and process modifications, there is an increased risk of fraud and it is key that the controls relating to payments are robust. With the increased potential of fraud, the Council must ensure that the control environment is kept under close review and management should respond promptly to any emerging issues such as fraudulent requests to amend bank account details.	
Three priority 1, five priority 2, and one priority 3 recommendations were raised.	

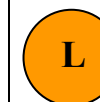| Recommendation	Management Response / Responsibility / Deadline for Implementation
When requests are received to change supplier bank details, checks should be undertaken in all cases to determine legitimacy of such requests. The checking process should include contacting the supplier using historic contact details and not details provided to the Council in the request to change bank details. If any queries are identified the request should be rejected	Central Finance /FSC will re-define the process in accordance with the audit findings. An electronic checklist will be developed for the administrator to ensure all necessary steps are taken during and supplier changes. Going forward, the new Governance Risk Compliance module which is to be implemented for August 2013 will add greater control to the process. The Systems Accountant will discuss requirements with

Recommendation	Management Response / Responsibility / Deadline for Implementation
and the matter escalated. The System Administrator should only approve supplier bank detail changes once an independent confirmation is received from the supplier through the method indicated above. In addition, consideration should be given to whether a report template can be designed to extract changes to supplier bank details and a senior officer should review bank account changes to check the compliance with the above.	Internal Audit. Head of Financial Management March 2013
The list of staff with access to the supplier management system should be reviewed periodically. In addition, where alternative line manager are selected to approve changes to or creation of suppliers, the default line manager should be notified by the system that the request has been raised.	The list of approvers and requesters will be reviewed and cleansed. Additionally, this will be reviewed on a periodic basis going forward. Corporate Finance will review with IT development of notifications to default approvers. Head of Financial Management March 2013
All CHAPS payments should be requested using CHAPS payment request pro-forma and that these should be signed off by the relevant approver following their authorisation of the payment request. In addition, documentations supporting CHAPS payments requests such as invoice should be held on file.	Corporate Finance / Treasury will issue a standard CHAPS form and will enforce the retention of backing papers. Head of Financial Management March 2013

Language Shop

<table>
<tr>
<td>The key areas of weaknesses related to the compliance with the HMRC requirements for self employed status of interpreters and translators and evidence of rights to work in the UK. In addition, there is a need for management to review the current arrangement in respect of internal requests. The Business Manager indicated that due to the costs no longer being recharged, the services are now seen as free services by the Service Areas and the costs have been increasing since the internal charging has ceased. Another area of weakness related to service guidelines and Code of Practice for translators.</td>
<td rowspan="3">**L**</td>
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<tr>
<td>The Direction of Travel provides a comparison with any prior audit visit. In this case the lack of an arrow indicates that this area has not been audited previously.</td>
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<tr>
<td>Four priority 1 and two priority 2 recommendations were raised</td>
</tr>
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Recommendation	Management Response / Responsibility/ Deadline for Implementation
Service guidelines for translators should be developed and the Code of Practice for translators should be put into use. A Translator's Agreement should also be put in place for the translators to sign. In addition, the Language Shop Co-ordinators should check that the signed agreement for both translators and interpreters is received before assigning any works.	The Code of Practice for Translators is currently sent to new translators for information only but is not signed. We agree to ensure the Code of Practice for Translators is signed in future and a scanned copy kept on individual personnel files. Translator Co-ordinator To commence on the 1st October 2012
An approval mechanism should be put in place to validate job requests from Service Areas. This should be formally communicated to the Heads of Services and any requests without a required approval should be sent back to the requester. Management should also consider whether a process should also be put in place to instigate a consultation with the Service Area when the costs associated with their requests exceed the amounts vired to set the budget. In addition, the Language Shop Guidance should be reviewed and updated to reflect the above and any other amendments	Language Shop agree this recommendation only for British Sign Language requests. All other interpreting requests are approved at service area level, it would be a waste of resource to dedicate Language Shop officer time into sighting all these approvals prior to the booking being accepted. A quarterly report is being provided to service areas by the Business Manager for 2012/13 which itemises spend by service area against budget. This process will be used to instigate a formal consultation with Service Areas. Business Manager

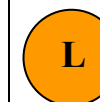| Recommendation	Management Response / Responsibility/ Deadline for Implementation
required.	To commence on the 1st October 2012 AUDIT COMMENT Given that British Sign Language requests cost significantly more than any other translation and interpretation services, we accept that the Language Shop will focus on those.
The Language Shop should confirm the submission of the following documents prior to assigning any works: • Original passports/home office documentation (for both interpreters and translators); and • Completed Declarations of Spent Convictions (for interpreters).	This is already in operation for interpreters. The four missing passports copies from personnel files have not yet been filed but will be on file by 19 November. Personnel files older than 7 years will not be reviewed. All new interpreters from 2010 onwards have had this completed. The Language Shop do not meet translators as all bookings are done via telephone and e-mail and translators can be based anywhere in the world. They do produce evidence of self-employed status so are eligible to work in the UK. Interpreting Co-ordinator 17 November 2012 AUDIT COMMENT On the basis of the comment provided above in respect of seeking evidence of self-employed status for translators, we are not raising any further actions as necessary.
The Language Shop should liaise with the Council's Exchequer Services to seek professional advice regarding the employment status of the interpreters and translators. In response to our query, the Exchequer Services stated the following: *Confirmation/support of self employed status requirements usually include:*	We agree to ensure a copy of the insurance cover for Translators is requested and attached to the copies of the self employment questionnaire. This is necessary for complex legal documentation only rather than standard translation requests. It is not mandatory so this will not be requested for interpreters but if it is provided it will be attached to the form, otherwise N/A will be stated.

Recommendation	Management Response / Responsibility/ Deadline for Implementation
• *A clear service description (i.e. outlining what service the individual will provide)* • *Details of the time frame to the engagement.* • *Confirmation of the expertise being bought in (qualification).* • *Details of the agreed project fee.* • *Substitute clause (One of the assessment aspects HMRC look at is who controls the engagement. If the translators or interpreters are not allowed to use a substitute on their discretion, the Language Shop will need to be able to support why the Council would control this aspect of the engagement.)* • *Retention of a copy of Insurance cover in the individual's name.*	Co-ordinators To commence on the 1st October 2012 AUDIT COMMENT With regards to Interpreters, the Language Shop should be reminded that the Council is required to check that any self employed individuals working for the Council have adequate insurance arrangements and we are not aware of any specific exemptions for self employed interpreters. The Language Shop should ensure that they continue to be satisfied that the employment/self employment status of both interpreters and translators are correctly assessed and the statutory and Council's requirements in respect of appointing self employed individuals are fulfilled.

Appointeeship, Receivership, and Power of Attorney

The key areas, for which recommendations have been raised are as follows: lack of a Council policy on Appointeeship and Deputyship; issues in relation to security of client's personal property; transactions not posted to deputyship clients on a timely basis and reports from Oracle not produced on a timely basis; supporting documentation not always retained or scanned onto Frameworki; officer who has left the Council not removed from list of cheque signatories; reconciliation of ResFunds not undertaken; and annual reports not submitted to Office of Public Guardian within the predetermined timescales. The Direction of Travel provides a comparison between the current assurance opinion and that of any previous internal audit for which the scope and objectives were the same. In this case the arrow indicates that the assurance level has deteriorated since the last audit visit. Fourteen Priority 1; nine Priority 2 and one Priority 3 recommendations were raised.	**L**

Recommendation	Management Response / Responsibility/ Deadline for Implementation
Management should develop a Council policy with regards to Appointeeships and Deputyships which is in line with legislation and good practice. Once developed the policy should be approved by the Full Council or the Executive and made available to all relevant officers. It is further recommended that the management should adopt the best practice guidance on Deputyships produced by the Association of Public Authority Deputies (APAD).	Agreed. A policy will be drafted by the senior finance officer and team manager for the approval of the Assistant Director of Finance Adult Social Services. The policy will be agreed by the Assistant Director of Finance. CFT are aware that a best practice guide has been in development by APAD. Now that this has been published we will update our procedures where they differ from the guidelines. Policy: Senior Finance Officer / Team Manager – 31/01/13 Updating procedures: Senior Finance Officer - 31/01/13
Interim arrangements should be put in place where there are delays in obtaining approval from the DWP or Court of Protection for the Council to be appointee or deputy for a client.	Agreed. Brent Council have certain duties under Section 48 of the National Assistance Act to protect client's personal property.

Recommendation	Management Response / Responsibility/ Deadline for Implementation
	This is now managed by an officer within our team. If there are urgent issues raised at the case referral stage such as financial abuse accusations, or court proceedings for non-payment of liabilities, then CFT will act as quickly as possible to mitigate those circumstances. We take instructions from Adult Social Services teams where urgent action is required. We will also advise them of any safeguarding issues we find. This response is linked to recommendation 18. Adult Social Services have a duty to assess and provide care services; however their role is outside the scope of this audit. Client Finance Team / Adult Social Services - 31/12/12
The personal property of deputyship and appointeeship clients should be collected, receipted, and recorded in the presence of two officers prior to being placed in the Client Property Safe. The officers involved in the process should be required to indicate their names and job titles in full. An audit of contents in the safe should be undertaken on an annual basis by a person independent of the collection; receipting and recording of clients' personal property. Any property belonging to an appointeeship or deputyship client should be removed from the safe in the presence of two officers. The property logs for all clients with personal property held in the Council's safe or Safe deposit box should be properly completed.	Agreed. The recommendations put forward here will be implemented straight away. Internal procedures will be brought up-to-date and amended where necessary. A safe audit will be conducted by the end of the year. Complying with procedures: all CFT staff - Immediate Updating procedures: Senior Finance Officer – 31/12/12

Recommendation	Management Response / Responsibility/ Deadline for Implementation
Transactions in respect of deputyship clients should be posted onto the Quicken system on a timely basis. Management should ensure that there are adequate resources in place for the administration of the appointeeship and deputyship client accounts.	Agreed. The audit was conducted during our annual review process. At this time of year priority is given to the reassessment process, which usually lasts between April – June. Other critical processes within CFT are also postponed during this time. It is accepted that transaction posting was behind schedule at the time of the audit. However transaction posting is usually completed on a monthly basis and signed off by the Team Manager. Transaction posting is now up-to-date. We will address this issue in the following ways: (1) There is a team restructure pending which we hope will allow us to conduct the April annual review in a shorter time thus stopping other work from falling behind. (2) We are currently considering a new software package that will simplify transaction processing. (3) The senior finance officer will use calendar reminders each month. Calendar reminders: Senior Finance Officer – 31/10/12 Team restructure / software changes – 31/03/13

Recommendation	Management Response / Responsibility/ Deadline for Implementation
The Business Partner Team should be reminded to provide the Client Finance Team with reports from Oracle indicating payments made on behalf of appointeeship & deputyship clients on a monthly basis.	Agreed. Response from the Business Partner Team: Monthly reports will be provided to the Client Finances Team on a monthly basis. Business Partner Team – Immediate and monthly
All documentation pertaining to each Appointeeship and Deputyship application should be properly retained.	Agreed. Appointee clients – Previously only parts of the BF56 application form were scanned and kept. The DWP were asked to provide a BF57 in each case but missing forms were only followed up if needed. A complete copy of the BF56 will now be scanned and kept, along with the referral form and support plan. All missing BF57 forms will be followed up with the DWP. Deputy clients – The sample selected in the audit included some cases with missing information. This point is accepted. All current and future application to the Court of Protection are scanned after they have been signed by the Deputy and are saved as a single file. The same applies to statutory returns. All correspondence is scanned and held electronically. Senior Finance Officer – 31/10/12
Evidence should be maintained of the spot checks undertaken by the Senior Finance Officer on a sample of expenses incurred on behalf of appointeeship & deputyship clients by both Homecare Agencies and residential care homes.	Agreed. We propose that evidence of spending by Homecare Agencies and residential care homes is monitored quarterly. Missing returns will be followed up and may ultimately be referred to legal. A sample of clients will be selected at random for detailed checks. The reviewing officer will sign off the evidence once spot checks are completed, and upload to FWI. We will develop a procedure for this process, and will write to the care providers to inform them of our new requirements.

| Recommendation	Management Response / Responsibility/ Deadline for Implementation
	Senior Finance Officer – 31/01/13
The Client Finance Team should chase up those Home Care Agencies who have failed to submit statements and other information regarding the use of client personal allowances paid to them.	Agreed. The recommendation will be linked to Recommendation 7 and incorporated into that policy. Senior Finance Officer – 31/01/13
The monthly pre-payment card reconciliations (between the on-line record, spreadsheet and ResFunds) are documented and the reports from all of the relevant systems should be retained. The reconciliation should be signed and dated by the preparer, and this should then be subject to a review by an independent person who should also sign and date it.	Agreed. Records of all prepayment card transactions are kept. All prepayment card loads are expensed to MA01 (appointee and deputy) and posted to Resfunds. All MA01 transactions are reconciled with Resfunds and the reports are signed off by a manager each month as part of the internal payment process. We will implement an additional level of reconciliation as recommended by audit which will be signed off by the SFO. Senior Finance Officer – 31/12/12
The weekly reconciliation between the balances on Abacus, ResFunds and the Appointeeship bank account should be documented and the reports from the relevant systems retained. The reconciliation should be signed and dated by the preparer, and this should then be subject to a review by an independent person who should also sign and date it.	Agreed. We intend to purchase a new client money management system which will simplify this process and allow a greater transparency for audit purposes. Senior Finance Officer - -31/03/13

Recommendation	Management Response / Responsibility/ Deadline for Implementation
The reconciliation between the appointee bank account and the Council's main bank account and subsequent transfers to the Council's main bank account should be undertaken on a timely basis and at least monthly.	Agreed. Response from the Business Partner Team: Monthly reports will be provided to the Client Finances team on a monthly basis. The Senior Finance Officer will setup a monthly calendar reminder to ensure the reconciliation process is timetabled each month. The Team Manager can check on the completion of reconciliation at regular supervisions. Business Partner Team **/** Senior Finance Officer – 31/10/12
The annual returns for deputyship clients requested by the Office of Public Guardian should be submitted within the specified timescales.	Agreed. Presently the OPG send a request whenever they need a report. Upon receipt of these requests, the SFO adds a calendar reminder to submit the report prior to the specified due date. We suggest this information is reported to the CFT Team Manager during supervision and appraisal sessions and included on monthly statistics reports. Progress towards meeting this recommendation should be monitored over the next three months. Senior Finance Officer / Team Manager – 31/12/12
Management should ensure that where a client does not have sufficient income to cover his or her expenses that other client funds are not used to cover such expenditure. Where an application is made to become an appointee or deputy for a client with significant debts, that adequate steps should be taken to draw up a course of action to clear those	Agreed. We are aware of a number of historical overdrawn balances in Resfunds and one overdrawn account in quicken. These issues have now been addressed by the AD Finance and there is agreement in principal to write off historical overdrawn accounts

Recommendation	Management Response / Responsibility/ Deadline for Implementation
debts.	in Resfunds. There is a plan in place to repay the overdrawn Quicken account. A process is being developed to address the debts of new clients. We will identify unrecoverable debt at an early stage once all assets are known. Senior Finance Officer – 30/12/12
The reconciliation of client accounts on Quicken against the bank account should be undertaken on a monthly basis.	Agreed. The Quicken reconciliation process is completed at the same time as the transaction posting referred to in recommendation (4). Please refer to the management response in recommendation (4). Senior Finance Officer - Implemented

LIMITED/NIL ASSURANCE REPORTS – School

Tora Temimah

16 priority 1 and seven priority 2 were raised as a result of this audit. All recommendations were agreed by the School	**N**
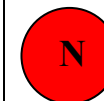
LIMITED / NIL ASSURANCE REPORTS – BHP

As above, Reports for BHP are reported on separately to the BHP Audit & Finance Sub-Committee and hence the detail is not included below.

V5

Final Report Reported separately to the BHP Audit & Finance Sub-Committee.	**L**

Tenant Management Organisations – Watling Gardens

Final Report To be reported separately to the BHP Audit & Finance Sub-Committee.	**L**

NON ASSURANCE WORK

This section summarises other work undertaken during the year for which an assurance opinion was not applicable.

We have previously reported on the following works:

- Olympic Games Preparedness; and
- Manor School.

Staff Expenses Testing

Introduction

This work was carried out in two stages as follows:

Stage 1

- Identifying payments relating to expense claims from an Oracle report showing all payments processed through direct expenditure process; and
- Selecting a sample of staff members from the above and identifying the approver for each claim in the sample.

Stage 2

For the sample selected above, we sought to assess the following:

- The extent of checks carried out by the approving managers;
- Retention of receipts;
- Accounting for VAT;
- Coding of expenses;
- Whether there are any duplicate claims; and
- Whether the claims are made within six months of the date on the receipt.

In addition to the above, we sought to identify staff expense claims that are not paid through BACS so that appropriate arrangement can be put in place by management to ensure that all future staff expense claims are paid through BACS.

It should be noted that the expense claims process is within the scope of the Athena project and the new process is to be launched in August 2013. This work was intended to assist in identifying weaknesses or concerns in respect of the current process and to be fed into the development and implementation of the new expense claim process. Given the imminent changes, we did not providing an assurance opinion as part of this work and the recommendations have not been given a priority rating as all of these should be implemented as soon as possible.

Overall summary of findings and areas for management's consideration

A number of weaknesses and exceptions were identified as a result of this work. The key exceptions from our sample of 160 claims related to the claims where receipts could not be provided at all (18%), receipts could not be provided for some items in the claim (4%), and duplicate payments (2%).

Whilst the above exceptions may be due to error as opposed to fraud, management should be reminded that the following factors generally contribute to an increased exposure to the risk of fraud and it is key that the controls surrounding staff expenses are robust:

- Incentives and Pressures - The financial climate increases the pressure upon staff who may have changes in their financial circumstances;

- Rationalisation - With organisations making cuts in workforce and benefits, there is an increased risk that staff motivation to defraud their employer may increase; and

- Opportunity - As new systems and staffing structures are introduced and as savings are made, control systems may be weakened, thus increasing the opportunity to commit fraud. Even if this weakening in control is not the case, the perception may be that gaps in control are likely to have emerged.

We have raised eight recommendations and these were agreed by management as follows:

Recommendation	Action/ Deadline/ Responsibility
1. A method of distinguishing staff expense claims from the rest of direct expenditure payments on Oracle should be established.	Agreed. IExpenses will be used to clearly identify staff expense (excluding mileage). August 2013 Head of Finance Service Centre (FSC)
2. Guidance should be provided to Service Areas in respect of retention of receipts for staff expenses. The guidance should include, but not limited to, the following: • The need to retain receipts centrally within each team/unit and who is responsible for retention; and • Where scanned image of receipts are retained, original receipts should be clearly marked as approved.	Agreed. Iexpenses has the facility to attach images. Interim period SA to be advised that receipts are marked as 'Approved' to eliminate/duplicate requests August 2013 Head of FSC Accounts Payable (AP) Team Leader
3. Approvers should be reminded that they should only approve a direct expenditure payment if they have seen the supporting evidence	Agreed.

and confirmed the validity of the claim. In addition, approvers should only approve claims if they are made within six months of the date of receipts. Consideration should be given to whether a prompt can be built in for the approving manager to confirm the above against each claim.	FSC to review DEF page on Intranet, update where appropriate. Head of Financial Management (FM) to update the Strategic Finance Group March 2013 AP Team Leader Head of FM
4. Staff should be reminded of the need to account for VAT where the receipt includes VAT amounts and also the need to obtain and retain the VAT receipt. This should be supported with an explanation of what information a valid VAT receipt would contain.	Agreed. FSC to review DEF page on Intranet, update where appropriate. March 2013 AP Team Leader
5. As part of the subjective code review under project Athena, management should consider how best to capture staff expenses whilst ensuring that the description of staff expenses are also retained and fed through to reporting. Once the coding structure is finalised, staff should be briefed on this and reminded to code items accurately.	Agreed. To be reviewed under Project Athena August 2013 Systems Accountant FSC/CF to review DEF page on Intranet ie. Coding structure. March 2013 Head of FM
6. Staff including approving managers should be reminded that mileage claims should be paid through payroll. Fuel for the Council's vehicles should generally be paid for using the fuel card. In an event that the fuel card is not available and staff pays for the fuel, this should be clearly indicated in the claim including the registration number of the vehicle.	Agreed. FSC to deliver communication on staff expense claims. March 2013 AP Team Leader
7. Staff members set up as a supplier on Oracle should be reviewed and the payment method should be changed to BACS.	Agreed. Instructions will be sent out to update Intranet. March 2013

	AP Team Leader
8. In light of the exceptions identified as part of this work, management should consider whether additional controls such as periodic spot checks should be introduced to confirm the compliance with the receipt retention requirement and also to confirm accuracy of VAT recording and expenditure coding.	Agreed. As part of Project Athena, GRC will capture these exceptions for compliance checking. August 2013

Kilburn Square TMO

Final Report To be reported separately to the BHP Audit & Finance Sub-Committee.

Follow-Up of Previously Raised Recommendations

The table below provides a summary of the findings from the follow-up work completed since the last meeting, excluding any BHP recommendations.

Our approach is explained within the Executive Summary. 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. As such, we have included all recommendations followed-up to date, including Draft Follow-Up Reports, as well as those that have been finalised. Where the reports have been finalised, the further actions have been agreed with management, including revised deadlines and responsible officers. For those at Draft stage, we are awaiting responses from management. All agreed further actions will be added to our rolling follow-up programme as explained in the Executive Summary to this report.

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.

Audit Title	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	
Accounts Payable	-	1	1*	-	2	1	-	-	-	-	3	2		Review of approved requestors to set up suppliers.
General Ledger	-	2	-	1	-	1	-	-	-	1	2	1		
Pension Administration	1	-	-	1	-	1	-	-	-	2	-	1	1	
Accounts Receivable	1	1	2	-	3	1	-	-	-	1	4	3		Linking of e forms to work flow approval process; checking of invoices by service areas.
Cash & Bank	1	-	-	6	-	1	-	-	-	7	-	1		
Total	**3**	**4**	**3**	**8**	**5**	**5**				**11**	**9**	**8**	**1**	

*Management indicated that this has yet to be reviewed due to the various changes taking place across the Council. The review will be done once the new staffing structure and the process transformation are finalised and there is clear understanding of who require this access going forward.

Appendix A – Definitions

Audit 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 grading provided 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.

Appendix B – Audit Team and Contact Details

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