



**Internal Audit
1st Progress Report 2013/14
London Borough of Brent
September 2013**

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Executive Summary

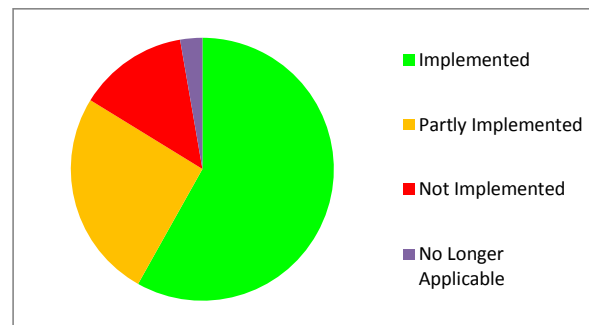
Introduction	This report sets out a summary of the work completed to date against the 2013/14 Internal Audit Plan, including the assurance opinions awarded and any high priority recommendations raised.
Summary of Work Undertaken	<p>A range of audits have been undertaken since the last meeting and a number of these are currently work in progress. As reported to the Committee in the last meeting, the delivery progress has been affected by the move to the Civic Centre and the request by some departments for audit to be postponed as a result on n-going structural changes across the organisation. All departments have now completed their move and we are now making a good progress, considering the delay earlier in the year.</p> <p>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:</p> <ul style="list-style-type: none">• Recycling and Waste Performance Management• Member's Allowances and Expenses• Academy (NNDR Application)• Business Continuity Planning (BCP)• Donnington Primary School
One Council Project	<p><u>One Oracle (Formerly Project Athena)</u></p> <p>The Council has been 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. This was initially scheduled to be launched in August 2013, however due to the issues outside the Council's control, this has now been delayed to November 2013.</p> <p>The Audit Managers have attended the Finance Implementation Team (FIT) meeting for the first time in early December 2012 and they will continue to attend the meetings and liaise with the Head of Financial Management and his team until the project launch. In addition, as part of this, the Audit Managers will work with the FIT in respect of Governance Risk Compliance.</p> <p>We will also be undertaking pre and post migration audit (Computer Audit), as well as pre and post key financial systems audits.</p>

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, 84% 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, 55% had either been fully or partly implemented.




Implementation of Recommendations



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
General and Computer Audits	
Members' Allowance and Expenses	
Academy (NNDR Application, computer audit)	
SCHOOLS	
Donnington Primary School	

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 are reported separately to the BHP Audit & Finance Sub-Committee.

Business Continuity Planning (BCP)

The audit focused on the controls in place with regard to the Business Continuity Planning for the Council.

The Emergency Planning and Control Unit are responsible for coordinating and overseeing the emergency planning and business continuity process. The unit is led by the Head of Emergency Planning & Control and supported by a Senior Civic Contingencies Coordinator, two Civil Contingencies Coordinators, and a Control Room Manager.

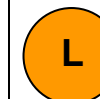
Following the move to the Civic Centre, the main administration functions of the Council together with front line services with substantial direct customer contact including customer services, library, register office and areas that can be used for social functions are now all within one building.

In addition to the Council's Business Continuity Protocol, which sets out the generic management response arrangements to a disruption of service delivery, the Emergency Planning and Control Unit have developed a Civic Centre Business Continuity Plan which outlines the arrangement to be implemented in the event of a significant loss of the use of the Civic Centre.

Whilst we were able to confirm that there is a centrally coordinated approach to business continuity planning, weaknesses were identified in the following areas: business continuity arrangements of contractors delivering key services; accuracy of priority ratings; linking BCP and Risk Management Process; business continuity exercise; educating local business and voluntary organisations; sign off of business continuity review; and guidance in respect of when to contact the Emergency Planning & Control team.

The Direction of Travel provides a comparison with any prior audit visit. Although the assurance opinion has remained the same since the last audit in 2011/12, it is positive to note that there has been an improvement in the control environment. The positive direction of travel is supported by the level of implementation of the previously raised recommendation. Of the five recommendations raised in 2011/12, three have been implemented and one has been partly implemented.

One priority 1, five one priority 2 and two priority 3 recommendations were raised.



Recommendation	Management Response / Responsibility / Deadline for Implementation
<p>The Emergency Planning & Control team should liaise with Procurement to agree the process as to how business continuity is to be assessed as part of the procurement process.</p> <p>The process should be clearly documented and communicated to all relevant services. As minimum, the following elements should be clearly defined:</p> <ul style="list-style-type: none"> • Type and size of contracts which require the supplier/contractor to have a business continuity/disaster recovery plan; • Extent of check required by the Council on the plan of the appointed supplier/contractor; • Whether a copy of the plan should be retained and who should retain the copy if this is the case; and • Any requirements for the plan to be tested and the extent of evidence the Council will require regarding the test. <p>In addition, the Emergency Planning & Control team should liaise with Head of Procurement to determine how best to incorporate the supplier/contractor's responsibility over business continuity and disaster recovery into contracts and to determine whether a standard Civil Contingency Clause should be incorporated into contracts.</p>	<p>Agreed.</p> <p>Whilst there has been progress with Procurement on this issue it is accepted that further development is necessary.</p> <p>EP&C will liaise with Procurement to address the recommendations</p> <p>Head of Emergency Planning and Control. Head of Procurement</p> <p>February 2014 need to liaise with procurement to get agreement we can then easily put the documents together so deadline could be earlier</p>

Waste and Recycling Performance Management

The audit focused on the controls in place with regard to the management of waste and recycling performance. This is one of the key areas for the Council due to the high level of savings expected from this service.

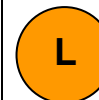
The Improving Recycling Performance project implemented a range of initiatives that increase the Council's recycling rate from 37% for the period April 2011 to March 2012 to 43% for the period from April 2012 to March 2013. The Council's Waste Strategy sets a clear ambition to increase recycling rate to 50% by 2015. However financial imperatives require that this recycling target be brought forward to March 2014 and the budget for 2013/14 has been set on this basis. Should the Recycling and Waste service fail to improve the recycling rate from 43% to 50%, the Environment & Neighbourhood Service department will incur a budget deficit of £749k. This translates into a budget shortfall of approximately £107k for every percentage point below 50%.

Overall, we were able to confirm that priorities have been defined and a number of initiatives are being delivered with an aim of increasing recycling and reducing waste and that there is a reporting mechanism in place to monitor the progress against the project including the waste treatment budget.

However, weaknesses were identified in respect of linking all of the identified priorities within the project to quantifiable contributions towards the aim. As a result we were unable to confirm whether management has an assurance that the initiatives identified are sufficient to deliver the required reduction in waste and increase in recycling. Whilst it is acknowledged that it is not always possible or practical to accurately quantify contributions as the overall performance will be as a result of multiple efforts across different activities, due to highly challenging targets set for 2013/14, it is key that the expected impacts from the activities are assessed to provide quantifiable estimates of the contribution towards the aim wherever possible to help management make informed decisions promptly.

Whilst acknowledging that the 2013/14 budget is based on highly challenging targets of recycling and waste, and management are closely monitoring the performance against the targets, based on the June 2013 forecast, the waste treatment budget is expected to be overspent by over £500,000 at the end of 2013/14.

One priority 1 and one priority 2 recommendations were raised.



Recommendation	Management Response / Responsibility / Deadline for Implementation
The expected impact from each priority activity identified should be assessed to determine quantifiable estimates of the contribution towards the recycling and waste volume target.	<p>It is not accepted that there is no clear, firm and known expectation in terms of the quantifiable impact of all of the priority activities.</p> <p>It is clear, for example, that where activities are quantifiable (and most are), e.g. restricting waste tipping by Housing and Parks, diversion of waste from sites that attract a surcharge, the recycling of street cleansing in town centres, the targeting of</p>

Recommendation	Management Response / Responsibility / Deadline for Implementation
<p>Based on this information, management should determine whether the identified activities will deliver the required increase in recycling and waste reduction. If any gaps are identified, decisions should be made on the next course of actions.</p> <p>The estimates should then be used to draw up milestones to assess whether each activity is generating the expected impacts.</p>	<p>specific streets for waste dumping, there has been an immediate and dramatic improvement in the financial position. A potential overspend of £850k has already been reduced to £530k after only 2 months.</p> <p>Detailed modelling has been undertaken to understand the impact of introducing food waste collections at flats and this was the basis of the council's bid for funding. This programme will be rolled out in June and officers have established a method, through Veolia, of measuring the amount of waste that is collected from each block of flats.</p> <p>The only real remaining area of uncertainty is the impact of householder engagement on recycling collections and tonnages of waste diverted from landfill. This work-stream is a new approach that has required a restructure of the Recycling and Waste Service in order for it to be properly resourced. Managers have, since May, been assessing a range of approaches to ensure the optimum method can be achieved, understood and settled upon.</p> <p>Subsequent to this audit, managers have now been able to determine that the weekly ward tonnage data received from Veolia provides a sound basis for measuring the impact of householder engagement in specific wards. On that basis, those undertaking that work will now solely target those wards that are shown to be poor performers. They will undertake engagement in a blanket approach, covering all properties and all streets in that ward. That will increase their visibility, their efficiency and will ensure meaningful impact in problem areas rather than simply be a process to resolve more disparate problems in a less focused fashion.</p> <p>More importantly, it will allow a weekly review of the impact on tonnages in those wards that are being targeted.</p> <p>Please be mindful, that this whole programme is new and has been brought about by exceptional circumstances. Our approach is not established and necessarily will be subject to change and review. As part of the One Council programme, it is subject to constant high level challenge from many angles. Methods that don't work will, indeed, be dropped in favour of those that are shown to be effective. That it should be flexible and pliant must be acknowledged. This is an intelligent and information-led tactic for service improvement. So far, the overall programme has removed £300k from the expected full year overspend.</p> <p>Managers have confidence in this new approach and are satisfied there is an</p>

Recommendation	Management Response / Responsibility / Deadline for Implementation
	<p>appropriate means of measurement and review that will help facilitate further budget improvement throughout the course of the year.</p> <p>Head of Recycling and Waste Review On going</p> <p><u>Audit Comment</u></p> <p>We stand by our recommendation as it remains unclear as to the level of contributions towards the target recycling increase (7% increase compared with 2012/13 performance of 43% recycling) from each initiative in the project. Each initiative should, wherever possible, carry an estimate of the volume of expected recycling increase/waste reduction. The total expected recycling increase across all initiatives in 2013/14 should be added to the level of expected recycling/waste without initiatives to determine whether the 50% target will be achieved and if the target is not likely to be achieved, alternative arrangements should be put in place to address the shortfall.</p>

NON-ASSURANCE WORK

Troubled Families Grant Claim Certification

Certification of 3 Grant Claims as follows:

- 2 Claims for Troubled Families worked with
- 1 Payment by Results Claim

This is a new grant which the Head of the Audit & Investigations Team is required to certify the grant claims. This funding is for the DCLG's Troubled Families programme which is aimed at reducing the cost of problem families. The government is providing funding to cover up to 40% of the cost of interventions for these families. This will be paid primarily on a payment by results basis. The DCLG will make available up to £4,000 for each troubled family that is eligible for the payment-by-results scheme. A proportion of this is paid upfront as an "attachment fee" for the number of families that the local authority starts working with, and the rest will be paid following a positive outcomes with these families.

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	
Insurance	2	2	0	2	2	4	0	0	0	4	4	4	0	
BCP	1	1	0	2	1	0	0	0	0	3	2	0	0	
NWLJ	9	5	4	7	5	0	0	0	0	16	10	4	1	Cheque signatories; pay policy; employment status checks and risk management
Wykeham	4	1	0	16	2	1	0	0	0	20	3	2	1	
	16	9	4	27	10	5	0	0	0	43	19	10	2	

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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