



**Internal Audit
Progress Report 1 April – 31 July 2015
London Borough of Brent
September 2015**

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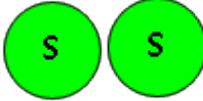



Executive Summary

Introduction	<p>This report sets out a summary of the work completed against the 2014/15 and the 2015/16 Internal Audit Plans, 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.</p>
Summary of Work Undertaken	<p>The Final Reports in respect of the 2014/15 period and 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">• Accounts Payable• Vale Farm Contract (Contract Management)• Highways Maintenance• Procurement• Declaration of Interests' and Gifts & Hospitality (Members)• Islamia Primary School• Accounts Payable (BHP)• Leasehold Management Application (BHP) <p>Final Reports certifications grant issued in respect of the 2015/16 financial year to date are as follows:</p> <ul style="list-style-type: none">• Quality Assurance Meeting• Troubled Families Grant Claim (Payment by Results) May 2015• Disabled Facilities Grant Determination (Grant Certification for 2014/15).

Detailed summary of work undertaken

FULL / SUBSTANTIAL ASSURANCE REPORTS: 2014 /15

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	
Vale Farm (Contract Management)	
Highways Maintenance	
Procurement	
BHP	
Leasehold Management Application (IT) - BHP	

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 Committee.

Declaration of Interests' & Gifts & Hospitality (Members)

The Localism Act 2011 abolished the previous standards regime and introduced a new framework for the regulation of member conduct. Under the provisions of the Act local authorities have a statutory duty to 'promote and maintain high standards of conduct by members and co-opted members of the authority'.

Under Part 2 of the Brent Members' Code of Conduct, members are required to register interests by providing written notification to the authority's Monitoring Officer. Members are required to register their interests within 28 days of his or her election or appointment to office. Members are also required to notify the Monitoring Officer of any changes or additions within 28 days of becoming aware of the change or addition

The key areas of weakness are as follows:

- Lack of clarity regarding the requirement for newly elected members to register their interests within 28 days of becoming a member of the council rather than 28 days of the local code being adopted.
- The failure of some new members to submit their declarations of interests within the prescribed timescale following the 2014 local elections.
- Declarations not always completed in full.
- Poor attendance at the relevant training sessions
- Change forms not indicating the date of change of member's declarations of interests, gifts or hospitality.
- Lack of formal guidance available to members in relation to gifts and hospitality.

Five priority 1, four priority 2 and three priority 3 recommendations were raised as a result of this audit.



Recommendation	Management Response / Responsibility / Deadline for Implementation
<p><u>Revisions of Local Code to avoid ambiguity</u></p> <p>The local code of conduct should be revised to reflect more clearly the requirements of the Localism Act 2011, s.30 which requires new Members of an authority to declare their interests within 28 days of</p>	<p>Agreed.</p> <p>On 1 October 2015, the Standards Committee will be consulted on the proposed changes to the Code.</p> <p>Subsequently, on 23 November 2015, the proposed changes will be reported to Full Council for approval. It is</p>

Recommendation	Management Response / Responsibility / Deadline for Implementation
<p>becoming a member.</p>	<p>expected that the new Code will be implemented in December 2015.</p> <p>Meanwhile, the Monitoring Officer will check personally to ensure that any new Member fulfils this obligation.</p> <p>Monitoring Officer</p>
<p><u>Training</u></p> <p>All new Members should be reminded of the requirement and importance of attending induction and other training on Standards and the Members' Code of Conduct. New Members of the Planning and Licensing committees should be reminded that attendance at training on Planning and Licensing matters is a requirement of the Planning & Licensing Codes of Conduct.</p>	<p>Agreed.</p> <p>Mandatory training on Standards and the Members' Code of Conduct was provided on 21 July 2015. For those Members who were unable to attend that training session, it will be repeated on 17 September 2015.</p> <p>Since changes to the membership of committees were announced at the Annual Meeting of Council in May 2015, Executive and Member Services have reminded Members of the requirement and importance of training on Planning and Licensing matters and training has been repeated on a number of occasions to accommodate the availability of Members.</p> <p>In the coming weeks, efforts will continue to ensure that all new Members of the Planning and Alcohol and Entertainment Licensing Committee receive specialist training and that other Members of those committees receive refresher training as appropriate.</p> <p>Officers have advised individual Members, the chairs of the relevant Group leaders and Group Whips that they should not participate in the Committees without the appropriate training.</p>

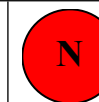
Recommendation	Management Response / Responsibility / Deadline for Implementation
	<p>Relevant Group Leaders and Whips have now been notified if any of their Members have any outstanding mandatory training requirements.</p> <p>Head of Executive and Member Services</p>
<p><u>Timeliness of Declaration of Interests' Forms by Members</u></p> <p>Management must implement robust procedures to notify and remind Members of their statutory requirements in respect of declarations of interest. Members should be reminded of their responsibility to declare their interests within 28 days and advised, in clear terms, of the potential consequences of failure to comply.</p>	<p>Agreed.</p> <p>Members have been reminded of this through an item in the Members' Bulletin.</p> <p>Mandatory Standards training on 21 July 2015 advised Members of these requirements and this training will be repeated on 17 September 2015.</p> <p>The Monitoring Officer Advice Note to be issued in August 2015 will also remind Members of these requirements.</p> <p>Documented Procedures finalised by 17 August 2015.</p> <p>Monitoring Officer</p>
<p><u>Completion of Declaration of Interests' Forms by Members</u></p> <ul style="list-style-type: none"> Members should be reminded to complete declarations of interests' forms in full. Where there are no interests to declare, then the relevant section of the form should indicate "none" or "nil" to ensure completeness of the form. Checks to ensure that submitted forms do not contain gaps 	<p>Agreed.</p> <p>January 2015 (by way of correspondence) and July and September (by way of mandatory training) and by a Monitoring Officer Advice Note, by way of Members' Bulletin, to be issued in August 2015. Monitoring Officer</p> <p>In addition, all registration forms will be checked for</p>

Recommendation	Management Response / Responsibility / Deadline for Implementation
<p>should be undertaken by the Democratic Services Team.</p> <ul style="list-style-type: none"> Where it appears that a Member has not completed the form properly or in full, a notification should be sent to the relevant Member, and copied to their party Whip (if applicable), to indicate that their declaration of interests form has not been properly completed and a request for them to do so. In particular, Members should, if necessary, be reminded to include membership of any political parties or sponsorship in their declarations. 	<p>obvious errors and gaps by 1 September 2015 and the relevant Members will be advised of the corrective action necessary. Thereafter, notification of new interests will be checked for obvious errors and gaps, and Members advised of any corrective action, on an on-going basis.</p> <p>Head of Executive and Members Services</p>
<p><u>Change Forms</u></p> <p>The change form used by Members to notify the Council of changes to their declared interests; any new interests and /or gifts and hospitality accepted, should be amended to include a requirement that the date of the change of interests and/ or the acceptance of the gift or hospitality should be indicated on the form.</p>	<p>Agreed.</p> <p>17 August 2015.</p> <p>Head of Executive and Members Services</p>

LIMITED/NIL ASSURANCE REPORTS – Schools

Islamia Primary School

Ten priority 1; twelve priority 2 and one priority 3 recommendations were raised as a result of this audit.



Recommendation	Management Response / Responsibility / Deadline for Implementation
<p><u>Minutes of Meetings and Approval of Documents</u></p> <p>Meetings of the Governing Body and its committees should be properly minuted to explicitly record decisions and approvals of the governing body and to reflect presentation of reports including the following:</p> <ul style="list-style-type: none"> • The approval of the Terms of Reference for Personnel & Finance Committee. • The approval of the Scheme of Delegation. • The adoption of the Council's Financial Regulations. • The approval of the school's Financial Procedures & Practices document. • The approval of School Development Plan (SDP). • The approval of the whistle blowing policy. • The approval of the Charging Policy. • The approval of the staffing structure. • The approval of the draft and final budget. • The review of ongoing contracts for services and suppliers. <p>The approval of the Educational Visits Policy.</p>	<p>Agreed.</p> <p>A new clerk is being recruited and the governors will insist that all minutes are properly recorded and all documents approved. Minutes will be signed off by the Chair as evidence of approval.</p> <p>All policies not formerly approved will be presented to the next Personnel & Finance Committee/Governing Body meeting for review and approval.</p> <p>September 2015 / Head teacher & Governing Body.</p>

Recommendation	Management Response / Responsibility / Deadline for Implementation
<p><u>Scheme of Delegation</u></p> <p>The Governing Body should ensure that the Scheme of Delegation sets out more explicitly and in more detail the powers delegated by the Governing Body to its committees, the Head teacher and other staff. The authorisation limits for the Head teacher with regards to virements should be consistent with authorisation limits for expenditure. There should</p>	<p>Agreed.</p> <p>The Scheme of Delegation will be reviewed at the next Personnel & Finance Committee and forwarded to Governing Body for approval.</p> <p>December 2015 / Head teacher & Governing Body</p>
<p><u>Clerking Arrangements</u></p> <p>Payments to the clerk to the governing body should be made through the payroll.</p>	<p>Not Agreed.</p>
<p><u>Audit Recommendations</u></p> <p>Any outstanding recommendations arising from the last review by Internal Audit should be implemented. The Governing Body or Personnel & Finance Committee should regularly monitor the progress of the implementation of audit recommendations</p>	<p>Agreed.</p> <p>The previous action plan was reviewed and checked to ensure that all the recommendations are fully implemented. A new action plan has been prepared for the current audit and will be presented to Personnel & Finance Committee / Governing Body for approval.</p> <p>December 2015 / Head teacher & Governing Body</p>
<p><u>High Value Expenditure and Rolling Contracts</u></p> <p>Evidence of the procurement process and the reasons for awarding contracts should be documented and retained. The Council's Financial Regulations for Schools (section G 3) require schools to obtain at least three written quotes where the estimated value of a contract or purchase item falls between £20k and £172,514; or to undertake a formal tender process where the estimated value exceeds £172,514. For contracts, this applies to the lifetime of the contract as opposed to spend in individual periods.</p> <p>In addition, details of approval for high value expenditure items should</p>	<p>Partly Agreed.</p> <p>The ISS contract was approved by Governing Body in May 2015. The ISS contract is over £172K and proper procedures were followed as per Hill Dickinson's advice.</p> <p>All contracts over £20K will be presented to Personnel & Finance Committee / Governing Body for approval. Once approved, the Chair will sign the contract as evidence of approval.</p>

Recommendation	Management Response / Responsibility / Deadline for Implementation
be clearly recorded in the Governing Body meeting minutes, and that staff should be reminded of the need to ensure that all expenditure is approved in line with the Scheme of Delegation.	Immediate / Head teacher & Bursar
<p><u>Income – Accounting, Recording, Transfer, and Pre-numbered Receipts</u> The School should ensure that income and expenditure in respect of school meals is being correctly accounted for.</p> <p>The spreadsheet used for recording income received should include the date of receipt of income, method of payment, date banked and the paying-in slip reference number. Evidence should be maintained of the transfer of money from one officer to another. This could be in the form of a sign off by both officers. Pre-numbered receipts should be issued for all monies collected on behalf of the School.</p>	<p>Agreed.</p> <p>From September 2015, the School will be introducing Parentpay cashless system. This will produce detailed reports of all cash collections, which can be allocated under appropriate heading – trip, school meals etc. Thus there will be no handling of cash or banking of income</p>
<p><u>Bank Reconciliations</u></p> <p>Bank reconciliations should be properly documented and the relevant documentary evidence (such as unreconciled receipts and payments) should be printed off the School's accounting system and attached to the reconciliation.</p>	<p>Agreed.</p> <p>Bank reconciliations are now being documented and all documentary evidence attached.</p> <p>Implemented / Bursar & Accounts Team</p>
<p><u>Approval of Individual School Range ISR</u></p> <p>The Governing Body should ensure that it formally approves the School's ISR and that the approval is properly minuted.</p>	Not Agreed.
<p><u>Pension – Joining and Opt-Out Forms</u></p> <p>The School should seek advice of a specialist or the Council's Pensions Team on what action to take to address the matter of the teacher who has not been given the opportunity to join or opt out of the Teacher's Pension Scheme.</p> <p>All staff employed under a permanent contract with the School should</p>	<p>Not Agreed.</p> <p>All pension issues were dealt with. Copies of all opt-out forms are kept with the exception of one in for which a letter from the employee was available with instructions of opting out. The letter is clear evidence of opt-out document that is similar to an opt-out form, which is enforceable in any court of law.</p>

Recommendation	Management Response / Responsibility / Deadline for Implementation
<p>be given the opportunity to join the pension scheme. The School should seek advice from the Council's Pensions Team regarding this matter. The School should ensure that copies of all opt-out forms are retained.</p>	<p>Agreed. Immediate / Head teacher & Bursar</p>
<p><u>DBS Checks</u> Once recruitment (or other relevant) decisions have been made, copies of DBS certificate information should be destroyed unless there is a pending matter. In such circumstances they should be held securely (not on personnel files) and access to these limited to those entitled to see it.</p>	<p>Partly Agreed. The DBS certificates are kept for 6 months from the date the new officer joins the School and are then subsequently destroyed. All DBS certificates are kept in a locked cabinet. Immediate / Human Resources Officer</p>
<p><u>Employment Status Checks</u> Adequate steps should be taken by the School to verify the employment status of individuals prior to payment being made to them without the deduction of tax and other statutory deductions</p>	<p>Not Agreed. This is already in place. All supply teachers are recruited through agency and we refrain from employing self-employed contractors unless proper legal self-employment contract is in place. The contract used satisfies all the requirement as per HMRC rules as they have been drawn by expert lawyers and accountants.</p>

Limited Assurance Reports (BHP)

Accounts Payable (BHP)

One priority 1 and three priority 2 recommendations were raised as a result of this audit.




Non Assurance Work

Accounts Payable Data Analytics	
Objective and Scope	This audit was designed to provide London Borough of Brent with Accounts Payable analysis reports to mitigate the control deficiency currently within the Borough, of the lack of an Accounts Payable analysis function. Previous to the implementation of One Oracle, the Borough was using 'AP Forensics' to produce Accounts Payable reports to focus further testing/investigation.
Recommendations	<ul style="list-style-type: none">• Senior management and key stakeholders should review the below embedded listing of 16 potential duplicate invoices numbers, to ensure that they are in line with their expectations and to guide further investigation into the potential duplicates if required.• Senior management and key stakeholders should review the below embedded summary of transactions by 18 users, to ensure the trend and patterns identified are in line with their expectations.• Senior management and key stakeholders should review the below embedded listing of 72 transactions which occurred on weekend days, to ensure they are in line with business objectives and expectations.• Senior management and key stakeholders should review the below embedded summary of creditor transactions, to ensure they are in line with business objectives and expectations.• Senior management and key stakeholders should review the below embedded summary of transactions by Purchase Order number, to ensure they are in line with business objectives and expectations.• Senior management and key stakeholders should review the below embedded listing of 125 invoices which have an invoice paid date, in advance of their system entry date, to ensure they are in line with business objectives, the Borough's best practice guidelines and staff expectations.• Senior management and key stakeholders should review the below embedded summary of 17 unpaid invoices over one year old, to ensure they are aware of creditors at risk of becoming 'long-term'.

2015/16 Financial Year

FULL / SUBSTANTIAL ASSURANCE REPORTS: 2013 /14

Audit	Assurance Opinion and Direction of Travel
General and Computer Audits	
Quality Assurance Meeting	

Non-Assurance Work

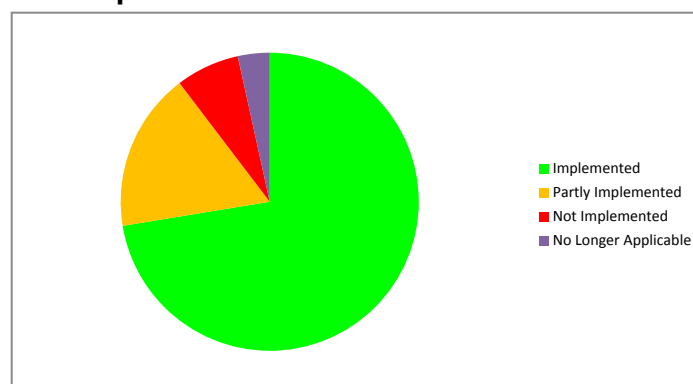
Troubled Families Grant Claim Certification	<p>Certification of May 2015 Grant Claims as follows:</p> <ul style="list-style-type: none">• 1 Payment by Results Claim <p>This is a grant which the Head of the Audit & Investigations Team is required to certify the grant claims. This funding is for the DCLG's 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 positive outcomes with these families.</p>
Disabled Facilities Grant DFG Determination	<p>Certification of Grant Determination for the 2014/15 Financial Year.</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 required timeframe, 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 29 recommendations followed-up, 27 (93%) had been either fully or partly implemented, or are no longer applicable due to changes in the scope of operations. Of the 9 priority 1 recommendations followed up, 100% had been fully implemented.

Implementation of Recommendations



Follow-Up of Previously Raised Recommendations

The approach to our follow up of internal audit recommendations is changing. Once an audit report has been agreed and finalised, the agreed recommendations will be uploaded on the Audit & Investigations portal on infostore. Each strategic director will then be required to ensure that officers indicated as being responsible for the implementation of the audit recommendations update the status of each recommendation as and when due. On a monthly basis, Internal Audit will review all priority 1 and priority 2 recommendations which are due for implementation in that month and send reminders to the responsible officers for them to update infostore on the status of implementation of the recommendation. Internal Audit will then undertake verification work as required to confirm that they have been implemented. The Audit Committee will be updated on the status of implemented and non-implemented recommendations due as part of the normal reporting arrangements. The intention of this new approach is to ensure that all due recommendations are being implemented and that where they are not, action is taken to address these at an early stage.

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

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. Partly implemented recommendations are those assessed as requiring further work in order to meet the objective of the recommendation.





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	N/A	I	PI	NI	I	PI	NI	N/A	
Accounts Payable				1	1						1	1		1	
Princess Frederica Primary School	9			11	4	2					20	4	2		
	9			12	5	2	1				21	5	2	1	

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

London Borough of Brent	Contact Details
Steve Tinkler – Head of Audit & Investigations	 steve.tinkler@brent.gov.uk
Aina Uduehi – Audit Manager	 07525 893458
	 aina.uduehi@brent.gov.uk
	 020 8937 1495

Mazars Public Sector Internal Audit Limited	Contact Details
Mark Towler – Director	 john.clayden@mazars.co.uk
John Clayden – Senior Audit Manager	 07901 670365
Harish Shah – Computer Audit Sector Manager	