



**Internal Audit
Progress Report 1 August – 31 October
2015
London Borough of Brent
January 2016**

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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">• Blue Badges• Civic Centre Final Accounts• Payroll (Council)• AP Data Analytics• Parking Income• Payroll & SLA (BHP)• BHP Procurement - Integrated Asset Management Framework (Lot 1)• BHP Procurement – Surveying Consultants’ Framework (Lots 1-3)

Detailed summary of work undertaken

FULL / SUBSTANTIAL ASSURANCE REPORTS: 2014 /15

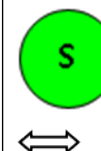
Audit	Assurance Opinion and Direction of Travel
General and Computer Audits	
Blue Badges	
Civic Centre Project Final Accounts	
Payroll (Council)	
BHP	
Procurement Integrated Asset Management Framework Lot 1	

Substantial Assurance Reports – General Audits

For all Substantial and 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.

Payroll (Council)

The Council's Payroll Team forms part of Transactional Services which fall under the Human Resources Department. The Head of Transactional Services has overall responsibility for payroll operations. The system used by the Council to process payroll is One Oracle. The Council began using One Oracle in August 2014. Prior to August 2014, the Council used Interact, a web enabled HR and Payroll system. In addition to processing payroll for the Council staff, the Payroll Team are also responsible for processing the payroll for Brent Housing Partnership (BHP).



Area of Key weakness include: Authorised Signatories, Review of Net Pay Variance and Management Information.

Two priority 1 and seven priority 2 recommendations were raised as a result of this audit. The two priority 1 recommendations and management responses are set out below.

Recommendation	Management Response / Responsibility / Deadline for Implementation
Authorised Signatories The Payroll team should obtain an updated list of signatories from all Council departments. A copy of this list should be retained by Payroll and regularly reviewed and updated when necessary.	Agreed. Head of Employee Services / Principal Payroll Officer Immediate
Net Pay Variance Reports Net Pay Variance reports should be run and monitored on a monthly basis and evidence of this should be retained, including a sign off of the report by an authorised officer. In addition, for a given sample size set by management; payroll should ensure that variance reports are appropriately annotated to facilitate efficient and effective monitoring	Agreed. Net pay variance reports are checked online and not printed. Corrections are made to the payroll as needed. Payroll officers will be reminded to include their initials on the report in the future.

Recommendation	Management Response / Responsibility / Deadline for Implementation
<p>of any variances identified. Furthermore, the supporting documentation received by the Payroll Team should be cross checked against the variance recorded on the Net Pay Variance reports to ensure that only valid, accurate and complete amendments to pay are made. Any anomalies should be followed up immediately.</p>	<p>Head of Employee Services / Principal Payroll Officer</p> <p>Immediate</p>

LIMITED ASSURANCE REPORTS – General Audits

Parking Income

The Council has a contract with Serco for the provision of parking and parking enforcement services. Whilst Serco are responsible for operational delivery of parking and parking enforcement services, the Council is required to ensure that there are robust controls over parking income collection, recording, banking, and the reconciliation process. There are various forms of parking income including pay and display charges, parking enforcement (Penalty Charge Notices), traffic enforcement (Penalty Charge Notices), and permits. The total income from parking related activities as reported in the Brent Parking Services Annual Report 2013/14 amounted to approximately £15m. There are various ways in which the income is collected, which ranges from pay and display money being collected by Serco's subcontractor (Loomis) and banked directly into the Council's parking bank account, to online/telephone payments receipted into the Council's parking bank account. Given that income is receipted into the Council's parking bank account, it is important that the Council has access to a clear audit trail and sufficient information relating to the income collected, and these are reconciled to the Council's parking bank account in a complete, accurate, and timely manner. In addition, the Council must also ensure that the income receipted are allocated to correctly with sufficient details so that these can be analysed and to provide useful management information.



The key areas of weaknesses related to lack of interface of financial systems and service level agreement.

Two priority 1, three priority 2 recommendations were raised as a result of this audit. The two priority 1 recommendations are set out below.

Recommendation	Management Response / Responsibility / Deadline for Implementation
<p><u>Interface</u></p> <p>The Council's Parking Team should liaise with the Business Partner Team, the Finance Manager (Capital) and Serco in order to determine a specification for the interface including the correct format for the coding structure. Once provided; the interface between Serco and Council systems should be implemented as a matter of urgency, to enable the Council to accurately and completely reconcile all income received against each parking income stream.</p>	<p>Agreed.</p> <p>In order to expedite the development of the specification, the service has convened a first meeting in order that Finance representatives and Serco can agree actions to implement the solution. In the interim, the service management team will continue to withhold part of the mobilisation payment to Serco.</p> <p>Business Partner Team / Parking Contract Operations</p>

Recommendation	Management Response / Responsibility / Deadline for Implementation
	Team / Finance Manager - Capital and Serco 26 June 2015 (Initial Meeting) 27 November 2015 - (Interface development)
<p><u>Reconciliation of Income</u></p> <p>Management of the Parking Team should review the discrepancy between total income posted on One Oracle and the total income indicated on the cash collection sheets and provide a detailed analysis and explanation of the reason for discrepancy between both. Further to this, the Parking Team and the Business Partner Team (Finance) should liaise with one another to ensure that all figures reported on are accurate, and should work together in order to determine the reasons behind the differences between the cash collection sheets and the amounts posted on One Oracle.</p>	<p>Agreed.</p> <p>All parties will work together to resolve issues and identify reasons behind discrepancies in order to verify figures. Additional column will be created on the Reconciliation Sheet stating reasons for discrepancies.</p> <p>Parking will also reconcile payments against Penalty Charge Notices in order to verify whether this is a contributor to the variance between cash collection sheets and cash banked.</p> <p>Parking Contract Operations Team / Business Partners Team/ Finance 1 December 2015</p>

Limited Assurance Reports (BHP)

Although these are limited assurance reports, details are not included in this report because they are reported separately to the BHP Audit Committee.

Surveying Consultants' Framework Lots 1-3 (BHP)

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










Payroll & Payroll SLA (BHP)


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



2015/16 Financial Year

FULL / SUBSTANTIAL ASSURANCE REPORTS: 2015 /16

Audit	Assurance Opinion and Direction of Travel
General and Computer Audits	
Safeguarding (LADO)	
Special Education Needs (SEN)	
Community Safety Strategy (Anti Social Behaviour)	
Tribal Pupil Management Application (IT)	
HMO & Other Private Sector Licensing	
Nationality & Registration Service	
BHP	
Data Quality	

Audit	Assurance Opinion and Direction of Travel
Community Fund Grant	

**Please note that no priority 1 recommendations were raised in any of the reports listed above.

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.

Procurement Cards

The Government Procurement Card (GPC) is a branded Visa purchasing card. It is available to the entire UK public sector at no cost through a framework agreement between the Office of Government Commerce (OGC), Visa and six Visa issuing banks. Brent's GPC issuing bank is Lloyds TSB.

Benefits are:

- a cost effective means of buying low value goods and services (typically removing 95 percent of administrative effort).
- enhanced standards of service delivery by making it simpler for employees to buy essential day-to-day items such as Oyster Card top up.

The key weaknesses were: Authorising, Monitoring and Reporting of GPC Spend.

One priority 1 and five priority 2 recommendations were raised as a result of this audit. The one priority 1 recommendation is set out below.



Recommendation	Management Response / Responsibility / Deadline for Implementation
<p><u>Authorising, Monitoring and Reporting of GPC Spend</u></p> <p>All expenditure must be allocated by the cardholder within the agreed timescale (5 working days of card statement date) to ensure that approval can be provided by the line manager.</p> <p>Where particular individuals are consistent in delaying the allocation of their expenses, Business Partners should ensure that this issue is addressed with the cardholder immediately.</p> <p>The FSC should provide reports identifying such individuals who are not complying with the policy and procedures to and escalate as appropriate</p>	<p>Agreed.</p> <p>Head of Financial Management</p> <p>31 October 2015</p>

LIMITED/NIL ASSURANCE REPORTS – Schools

Mitchell Brook Primary School

Five priority 1 and eleven priority 2 were raised as a result of this audit. The five priority 1 recommendations are set out below.



Recommendation	Management Response / Responsibility / Deadline for Implementation
<p><u>Budget Setting</u></p> <p>The school should ensure that going forward the school appropriately budget for Agency Staff costs in accordance with historic spends to ensure that the budget most accurately represents the school's financial position. On a monthly basis budget monitoring reports should be profiled by calculating planned expenditure for each budget code and compared against actual expenditure.</p>	<p>Agreed.</p> <p>It is always anticipated when setting the budget that we will fill all teaching vacancies with contracted teachers and the staffing allocation reflects this. Budget is adjusted in September to accurately budget for current staffing as sometimes we have to fill vacancies with agency staff. Virements will be requested from Governors from Staffing to agency. From 30th September profiled budgets will be prepared.</p> <p>Bursar 30 September 2015</p>
<p><u>Low Value Expenditure</u></p> <p>A purchase order should be raised for all applicable goods and services prior to orders being placed with the supplier. In addition, invoices should be paid in a timely manner and any queries or disputes should be recorded as such on the relevant invoice.</p>	<p>Agreed.</p> <p>Head teacher and Bursar 1 September 2015</p>
<p><u>Income</u></p> <p>Prior to banking the school finance officers should reconcile receipts to income and income records. The completed reconciliation should be signed and dated by two offices to confirm its accuracy. Where</p>	<p>Agreed.</p> <p>Administrative Services Manager</p>

Recommendation	Management Response / Responsibility / Deadline for Implementation
discrepancies are identified, these should be investigated and addressed within a timely manner.	30 September 2015
<p><u>Payroll</u></p> <p>The Governing Body should ensure that the determination of the Head Teacher's pay is in accordance with the relevant School Teachers' Pay and Condition Document (STPCD). Should the Governing Body require advice on this, they should contact the relevant department within the Local Authority.</p>	<p>Agreed.</p> <p>The Governing Body was of the opinion that the correct measures were carried out but has sought advice from Brent HR in order to rectify this situation.</p> <p>Chair of Governors 30 September 2015</p>
<p><u>Starters & Leavers</u></p> <p>The School should retain adequate documentary evidence of the recruitment and appointment process including the following:</p> <ul style="list-style-type: none"> • Signed letter of acceptance from the potential employee; • Signed contracts of employment; • Evidence of qualifications having been obtained; • Evidence of two references having been obtained. <p>The School should insist that confirmation of the DBS check and the date it was completed is provided for all staff provided by agencies... If the information is not forthcoming then the School should consider not using that agency.</p> <p>The School should ensure that all leavers' forms are completed and provided to Payroll for all leavers in a timely manner and a copy retained by the School.</p>	<p>Agreed.</p> <p>All paperwork is now completed for school staff. In the case of Place2be, while they are insisting that as a third party, they only need to confirm with us that their staff are DBS checked; we have now received the information directly from each member of their staff working in the school and will continue to do this.</p> <p>Implemented</p>

John Keble Primary School

Seven priority 1; thirteen priority 2 recommendations were raised as a result of this audit. The seven priority 1 recommendations are set out below.



Recommendation	Management Response / Responsibility / Deadline for Implementation
<p><u>Declarations of Interest</u></p> <p>The School should ensure that all Declaration of Interests are completed by all governors and staff with financial responsibility on an annual basis and retained by the School. All Declaration of Interest forms should be countersigned by the Head Teacher and by the Chair of Governors for the Head Teachers Declaration of Interest Form.</p>	<p>Agreed.</p> <p>All Declaration of Interests (2) outstanding) will be completed and countersigned at Governing Body meeting. Member of staff with financial responsibility Declaration of Interests completed and countersigned (3/11/15).</p> <p>Head Teacher /Governors 3 November 2015 and 26 November 2015</p>
<p><u>Budget Setting</u></p> <p>The School should ensure that the surplus for 2014/15 should be carried forward into the 2015/16 budget in order to allow the budgets to be complete and accurate.</p>	<p>Agreed.</p> <p>Signed Report showed deficit budget because brought forward balance was not included. The budget has now been revised and will be signed at the next meeting of the governing body.</p> <p>Bursar / Head Teacher/GB 26 November 2015</p>

Recommendation	Management Response / Responsibility / Deadline for Implementation
<p><u>Procurement</u></p> <p>The School should ensure that going forward all contracts are procured for and tendered in line with financial regulations and therefore a minimum of three quotes are obtained. Value for money should be considered, with final approval being obtained from the Governing Body.</p>	<p>Agreed.</p> <p>Noted and explained at GB meeting November 2015. Contracts for renewal will be discussed and agreed at future meetings.</p> <p>Head Teacher / Chair of Finance 30 November 2015</p>
<p><u>Income Registers</u></p> <p>The School should maintain separate registers for all sources of income. Furthermore, an adequate audit trail should be in place for all income streams to ensure that income can be traced from the initial payment being made through to the banking of the income.</p>	<p>Agreed.</p> <p>Implemented. Separate registers for all monies received in place.</p> <p>Bursar 31 October 2015</p>
<p><u>Reconciliation of School Meal Income</u></p> <p>A reconciliation of the actual income received from School meals to that budgeted should be carried out on a weekly basis. Evidence to confirm that the reconciliation has been carried out and by whom should be signed by the preparer and countersigned by the Head Teacher and a copy retained. The School should perform regular reconciliation of the cost of in-house school meals to ensure that the cost does not significantly exceed the income generated.</p>	<p>Agreed.</p> <p>School meals report to be generated weekly and reconciled showing income and expenditure balance - signed by Bursar and countersigned by Head Teacher.</p> <p>Bursar /Head Teacher 2 November 2015</p>

Recommendation	Management Response / Responsibility / Deadline for Implementation
<p><u>Head Teacher / Deputy / Assistant Head Teachers Pay</u></p> <p>The Governing Body should ensure that the determination of the Head Teacher, Deputy and Assistant Head Teachers pay is in accordance with the relevant School Teachers' Pay and Condition Document (STPCD). Should the Governing Body require advice on this, they should contact the relevant department within the Local Authority.</p>	<p>Agreed.</p> <p>New Head Teacher and 2 Assistant Heads in place from Jan 16 – salary within Individual School Range (ISR) with no overlap. Governing Body to formally determine ISR for Deputy Head teacher and Assistant Head Teacher.</p> <p>Governing Body 30 November 2015</p>
<p><u>Contract with Payroll Provider</u></p> <p>The contract with Strictly Education should be reviewed, updated and signed by the Head Teacher.</p>	<p>Agreed.</p> <p>Rolling contract initially for 2 years and yearly thereafter. Renewal in November 2015. To discuss alternative providers at Governing Body meeting November 2015.</p> <p>Head Teacher / Bursar/ Governing Body 30 November 2015</p>

Non-Assurance Work

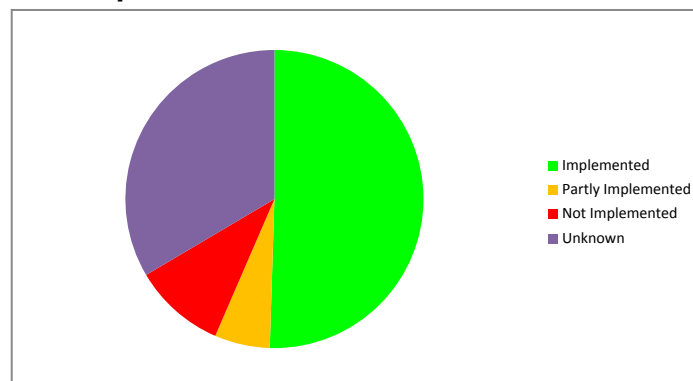
Potholes Grant Determination 2014/15 Certification	<p>In the 2014 Budget statement, the Government announced the creation of a Pothole Fund (“the Fund”) worth £200 million, with £168 million being made available to highway authorities in England to help repair damage to the local road network. The funding was available in the 2014/15 financial year. Any local highway authority that was currently in receipt of funding through the Department for Transport's Highways Maintenance Capital Block Grant was eligible to apply for the grant. To be eligible for funding the Department of Transport required each authority to sign a 'pothole pledge', agree to provide a monthly progress report to the Department setting out how many potholes they have fixed from the total number. The purpose of the Grant as set out in the Specific Grant Determination is to provide support to local authorities in England towards expenditure lawfully incurred or to be incurred by them. The grant conditions were set out in annexe B of the determination.</p> <p>Brent Council applied for the grant and was awarded £298,841 in total.</p> <p>Internal Audit undertook tests to ensure that the grant was spent in accordance with the terms and conditions. We confirmed that this was the case and grant determination was certified for submission to the Department of Transport within the required deadlines.</p>
Barham Trust Accounts 2014/15	<p>Examination of Barham Trust account for the 2014/15 Financial year in accordance with Charity Commission Directions. The examination includes a review of the accounting records kept by the charity and a comparison of the accounts presented with those records. It also includes consideration of any unusual items or disclosures in the accounts, and seeking explanations from trustees concerning any such matters. The procedures undertaken do not provide all the evidence that would be required in an audit and consequently no opinion is given as to whether the accounts present a 'true and fair view' and the report is limited to those matters set out in the statement.</p>
School Summary Report 2014/15 Audits	<p>Summary of main audit issues arising from school audits carried out in 2014/15.</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 below. Of the 200 (71 priority 1 and 129 priority 2 recommendations, 113 (57%) had been either fully or partly implemented. A detailed summary of the performance in respect of implementation of recommendations is detailed in the following section.

Implementation of Recommendations



Follow-Up of Previously Raised Recommendations

The approach to our follow up of internal audit recommendations has changed to improve organisational effectiveness and performance. Once an audit report has been agreed and finalised, the agreed recommendations are uploaded on the Audit & Investigations portal on Infostore. Each strategic director is then 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 reviews all priority 1 and priority 2 recommendations which are due for implementation in that month and sends reminders to the responsible officers for them to update Infostore on the status of implementation of the recommendations. Internal Audit then carries out verification work as required to confirm that they have been implemented. The Audit Committee is then updated on the status of implemented and non-implemented recommendations due as part of the normal reporting arrangements.

Set out below is a summary of the findings from the follow-up work completed since the last meeting (excluding 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.

Summary Position – Implementation Status of Internal Audit Recommendations / Agreed Management Actions as at End October 2015.

The number of recommendations due to be implemented by the end of October 2015 as recorded on Infostore is as outlined in the table below:

Number of Priority One Recommendations due	71
Number of Priority Two Recommendations due	129

The current status of implementation is as outlined in the table below:

Details	P1	P2	Total
Total Recommendations Due for Implementation as at 31/10/15	71	129	200
Implemented	30	71	101
Not Implemented	9	11	20
Partially Implemented	5	7	12
Status Not Updated on Infostore	27	40	67
Total	71	129	200

As part of the follow up process all recommendations have been subject to physical attempts to follow up, this includes emails being sent to recommendation owners, key responsible officers and further escalated more recently to the Strategic and Operational Directors. The audits below are related specifically to the 67 recommendations where no status updates have been recorded.





Audits:

- Adult Home Support Framework
- Assessment, Approval and Review of Clients Requiring Mental Health Services
- Appointeeship and Deputyship
- Carers - Respite Care Payments
- Safeguarding of Adults
- Review of Personal Budgets and Direct Payments
- Housing Allocations & Choice Based Lettings
- Licensing (Alcohol and Entertainment)
- Highways Maintenance

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
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	☎ 020 8937 1495
	✉ dave.verma@brent.gov.uk 020 8937 1262
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	