



Brent

Audit Committee
30 June 2016

**Report from the Chief
Finance Officer**

For Information

Wards Affected:
ALL

Report Title: Internal Audit Update Report

1. Summary

- 1.1. This report is an update report from the Head of Internal Audit on internal audit activity from April 1st 2016.

2. Recommendations

- 2.1. The Audit Committee note the content of the report.

3. Detail

- 3.1. The Internal Audit Plan for 2016/17 comprises 1100 days. 590 days will be delivered by the Strategic Partner and the in-house team will deliver a further 510 days.
- 3.2. In this quarter, the in-house team have been finalising work from Quarter 4 2015/16, and scoping and arranging planning meetings for 2016/17 work. Resourcing pressures in 2015/16 meant that not all of the in-house plan was delivered, and the team have been finishing last year's plan in this quarter.
- 3.3. Following the completion of a recent procurement exercise in May 2016, in consultation with the London Borough of Brent, PriceWaterhouseCoopers (PWC) were appointed as the Strategic Internal Audit Partner for the Audit and Investigations Shared Service.
- 3.4. Working with the Head of Audit & Investigations, PWC will support the existing in-house resource in the delivery of strategic & robust internal audit services to the London Borough of Brent.

- 3.5 Due to the recent procurement, PWC are currently in the early stages of delivering the planned audit activity. Details of PWC’s progress for the delivery of the internal audit plan and any key findings will therefore be reported to the next meeting of the Committee.
- 3.6 A key objective of the relationship between the shared service and PWC is to continue to develop and evolve the quality of the internal audit service delivered. This will be achieved through innovation and the use of technology to support the internal audit approach delivered. A summary of the current audit activity is therefore outlined below:

Audit delivery

Audit work so far has focussed on commencing key strategic audits that will help us develop our understanding of the Council and provide assurances in line with business need. We have highlighted a selection of audits that we are prioritising for delivery and provided an outline of our approach, the planned benefits and indicative timescales for delivery:

Assurance mapping:

Assurance Mapping is a tool to ensure key risks are assured across an organisation – driving out gaps and overlaps in the assurance jigsaw and ensuring that audit work is aligned to the assurance requirement and audits focus on the risks that matter.

We are currently creating a tailored audit universe for the Council and collating the information required to assess the control environment. We will meet with service areas over the course of July/August to further develop the risk assessment process and identify external sources of assurance.

The main benefits of having the assurance map are:

- Ability to prioritise assurance resource where it is needed leading to “smarter” audit plan;
- Greater understanding of the organisation’s control environment and key risk areas; and
- Identification of any gaps or duplication in the assurance framework leading to efficiencies.

Key financial controls:

We plan on delivering a continuous audit monitoring (CAM) programme of key financial controls testing. This will consist of two testing phases per year and will focus on key controls in relation to accounts payable, accounts receivable, council tax, NNDR, payroll and housing benefits.

The CAM programme will provide assurance over key financial controls as well as act as a key indicator of the strength of the control environment across key systems and processes in the Council.

Testing will entail a blended approach of automated testing using data from relevant systems and manual tests of controls.

We are currently working with key contacts for the relevant systems to understand the key controls in place and design our testing approach. The first phase of testing is scheduled for September 2016.

IT Risk Diagnostic

The purpose of this review is to baseline our understanding of the IT risk environment and maturity of internal controls across the IT Audit Universe within the Council. This will be performed by carrying out a series of discussions and workshops to understand the processes and controls in place and perform an assessment of controls maturity against a set of standard criteria defined in our IT Risk Diagnostic toolkit.

This review will help us identify potential IT risk areas and ensure that audit work is aligned to the areas that present the most risk.

Scoping meetings have been held with key contacts and workshops have been scheduled in for June/July to perform fieldwork.

Commercial assurance

Concerns around the Council's contract management arrangements were highlighted to us at the outset. We have prioritised the commencement of work in this area and a scope has been agreed with fieldwork being undertaken in June/July.

Our audit approach will consist of the following:

- Assess proposed revised contract management guidance to be implemented against a good practice contract management framework; and
- Assess the contract management arrangements in place for five strategically significant contracts selected by management to highlight key risk areas and control weaknesses.

Other audit work:

We have also commenced scoping procedures for a number of reviews as follows:

Audit	Status update	Planned delivery quarter
Homelessness Prevention & Assistance	Scoping meeting held	Q1/2
Business continuity management	Scoping meeting scheduled	Q2
Asset Management Strategy	Scoping meeting scheduled	Q2
Section 106 Agreements / Community Infrastructure Levey	Scoping meeting scheduled	Q2
Direct Payments	Scoping meeting scheduled	Q2

4. Financial Implications

- 4.1. The audit contract with PwC is funded within the Audit and Investigations base budget.

5. Legal Implications

- 5.1. None

6. Diversity Implications

- 6.1 None

7. Background Papers

- 7.1 None

8. Contact Officer Details

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