



**Internal Audit  
Progress Report 2010/11  
London Borough of Brent  
February 2011**

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## Executive Summary

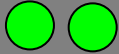



<b>Introduction</b>	<p>This report sets out a summary of the work completed against the 2010/11 Internal Audit Plan for the financial year to date.</p> <p>In the report we provide a summary of the main findings from each audit together with the assurance ratings for each one. Please note that this summary and assurance rating is only reported on once the individual audit reports have been finalised. We have also indicated where draft reports have been issued and are in the process of being agreed with management, or where audit fieldwork is currently in progress.</p>
<b>Summary of progress against the Plan</b>	<p>The overall Internal Audit Plan for 2010/11 comprises 1,201 days, of which 941 are allocated to Deloitte &amp; Touche Public Sector Internal Audit Limited (Deloitte PSIA), and 260 to the in-house team. Of the total, 59 days were carried forward from 2009/10. The reasons behind this were set out within the Plan itself, as presented to the March 2010 meeting.</p> <p>As at the end of January 2011, a total of 768 days had been delivered against the overall Plan, made up of 600 Deloitte PSIA days and 168 in-house days. This represents 64% of the Plan.</p>
<b>Summary of Work Undertaken</b>	<p>A number of systems audits have been completed and are in progress across the Council. In the last Committee meeting we reported that, as part of our focus on key developments, we have undertaken work in relation to the Corporate Property Review, one of the One Council Gold Projects, and Self Directed Support and Reablement which form a key part of the Adult Social Care Transformation Programme. We are now in the process of undertaking audits of the new key financial systems, and findings from these will be reported in the next Committee meeting.</p> <p>A range of computer audits have also been undertaken, including in relation to the migration to the single accounting system, both pre and post migration.</p> <p>The final key area of work has been in relation to the schools. At the time of last Committee meeting we reported that the draft reports and FMSiS assessment outcomes for secondary schools were on hold whilst the issues regarding leasing arrangements were investigated. On 15 November, the Government announced the decision to end the Financial Management Standard in Schools (FMSiS) programme with immediate effect. Draft Reports were subsequently issued to the schools, with an assurance opinion and recommendations relating to all areas of control weakness identified across both the FMSiS</p>

assessment and the wider audit. Key areas of weakness generally relate to compliance with the Financial Regulations around high value procurement and leasing arrangements.




With regards to the ending of the FMSiS, a new assessment process is now due to be introduced, although details of this have yet to be announced. Going forward, we will proceed with our scheduled school visits but will focus on the internal audit programme with extended coverage in some areas. We are now rolling out our works to primary schools with approximately 15 to be covered under 2010/11 plan and the remainder in the subsequent plans.

**Summary of Assurance Opinions and Direction of Travel**

Assurance Opinions

	Full 	Substantial 	Limited 	None 
<b>2008/09</b>	-	78% (21)	22% (6)	-
<b>2009/10</b>	-	61% (25)	39% (16)	-
<b>2010/11</b>	-	67% (10)	33% (5)	-

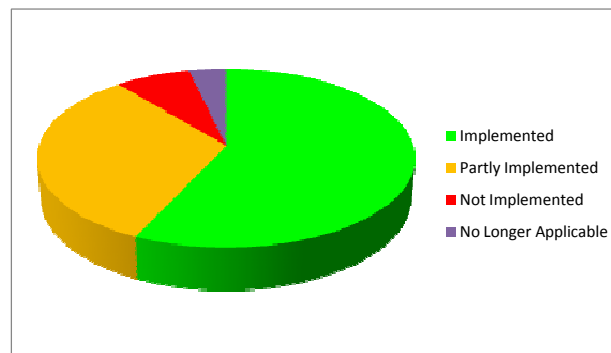
Direction of Travel

	Improved	Unchanged	Deteriorated
<b>2008/09</b>	8	1	-
<b>2009/10</b>	6	9	-
<b>2010/11</b>			

Overall, for the work finalised for 2010/11 to date, there has been a positive movement in the spread of assurance opinions. Where applicable, the Direction of Travel assessment has also been positive.

## Follow-Up of Previously Raised Recommendations

### Implementation of Recommendations



The follow up rolling programme is now fully in place and recommendations are being followed up with management, as and when the deadlines for implementation pass.

The current level of implementation is as per the chart above. Overall, this is considered positive given that, of the recommendations followed-up, 92% 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, 100% had either been fully or partly implemented.

**Customer Satisfaction**

Satisfaction Ratings 1=Poor, 5= Excellent

Year	Average Overall Rating
2008/09	4.4
2009/10	4.1
2010/11 (to date)	4.7

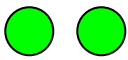



Nine completed questionnaires have been received to date in relation to the work undertaken by Internal Audit. This average is likely to fall once questionnaires have been returned by a number of schools.

## Detailed summary of work undertaken

We set out in this section, a summary of the internal audits and FMSIS assessments commenced since 1 April 2010.

### Assurance Opinions




We have four categories by which we classify internal audit assurance over the processes we examine, and these are defined as follows:

	<b>Full</b>	There is a sound system of internal control designed to achieve the client's objectives. The control processes tested are being consistently applied.
	<b>Substantial</b>	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.
	<b>Limited</b>	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.
	<b>None</b>	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 gradings provided above 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:

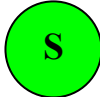



<b>Priority 1</b>	Major issues for the attention of senior management and the audit committee.
<b>Priority 2</b>	Important issues to be addressed by management in their areas of responsibility.
<b>Priority 3</b>	Minor issues resolved on site with local management.




## Summary Table

Where audits are part of the Internal Audit Plan with Brent Housing Partnership (BHP), we have indicated the Assurance Opinion for any finalised reports, but the summary of findings is not provided as this will / has been reported on separately to the BHP Audit & Finance Sub-Committee.

### SUBSTANTIAL ASSURANCE REPORTS

Audit	Status as at 10 February 2011	Assurance Opinion
Service Planning and Performance Management	Final Report	
Mobile Device Security (IT)	Final Report	
Housing Repairs and Maintenance (BHP)	Final Report Reported separately to the BHP Audit & Finance Sub-Committee.	 

## LIMITED ASSURANCE REPORTS

Debt Management	Management are already in the process of addressing a number of the gaps in controls and we have been provided with evidence in support of the actions being taken. This position should also be set in the context of the significant changes that are being made to the overall process in respect of the management of debt.	
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### Priority 1 Recommendations:



Recommendation	Management Response/ (Responsible Officer/ Deadline)
<p>Management should liaise with the Oracle Development Team to ensure that the default payment period within Oracle is defined in accordance with the Council's policy of 30 days. Where necessary, alternative payment periods should be defined using the customer set up/update pro-forma.</p>	<p>Agreed. Default has now been set to 30 days. (Oracle Team/ Implemented)</p>
<p>SDRT management should liaise with Service Areas who do not currently use Oracle, to help ensure that interfaces with RMS/Oracle are developed and implemented following the completion of the Finance Modernisation Project.</p> <p>Until the interfaces are implemented, Service Areas should be monitored to ensure that they correctly communicate information relating to debtors on a monthly basis to the SDRT.</p> <p>For the outstanding debts that have not been recorded on Oracle from Libraries and Park Services, management should ensure that the process for collecting debts is formally agreed, including responsible officers and the method of recovery. These outstanding debts should be monitored to ensure that they are recovered in a timely manner.</p>	<p>Agreed.</p> <p>Discussions are being held with ASC to see what can be done to interface directly between framework-I or abacus and the debt management system. A member of staff now attends MGH house once a week to send out reminders, deal with payments and any general correspondence relating to ASC Debts. We are now able to identify the invoiced debt, amounts collected and amount written off from abacus, so these figures can now be included in the total council's debts. The SDRT attend regular meeting with Social Care to keep up to date on the status of their debt. There is no timescale for the interface to Oracle from framework-i. All units have been instructed that all invoices must be raised on Oracle and a standard interface has been designed so units can use it. Enforcement is not the remit of the FSC but the Service Area Business Partners. Year end will identify any units that are still not raising invoices on</p>

	Oracle. (SDRT/ Ongoing)
<p>Following the completion of the Finance Modernisation Project, approved write-off forms should be scanned onto the RMS.</p> <p>In addition, an authorised signatory list should be maintained by the SDRT and used to cross check the approval signatures. The signatory list should be updated on a periodic basis.</p>	<p>Agreed.</p> <p>As no write offs have been actioned on the system since the implementation of the FSC, the process now will be to scan all authorised write offs on the system. There will be one dedicated member of the debt recovery team who will monitor all write offs, from either receiving the request, actioning the request, updating a spreadsheet and scanning the documents.</p> <p>(FSC Debt Recovery/End February 2011)</p>
<p>The RMS should be updated so that all debts that have been written off are workflowed through to a 'written off stage'.</p> <p>Management should test the functionality of the RMS to determine recovery costs and consider the usefulness of this facility when progressing cases to legal action.</p> <p>Management should also request that an automated system control be developed within RMS to highlight write-off requests that have been authorised but not processed/written off. In addition, clarification should be sought in consultation with Service Areas over the value at which debts not collected through the RMS are considered uneconomical to recover.</p>	<p>Agreed.</p> <p>Once the coding structure has been defined from financial management, RMS will interface these codes and will automatically change the status on RMS to written off. As there will be one designated person assigned to writes off, they will be able to monitor the write offs. If a write off request is received from a unit, the designated officer will make check on the account to make sure that the request is accurate. The officer will look through the history to see what else may be required to either action further recovery on the account, or whether the request is correct and will process.</p> <p>(FSC Debt Recovery/ End February 2011)</p>

Contender System (IT)		
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**Priority 1 Recommendations:**

Recommendation	Management Response / (Responsible Officer/ Deadline)
<p>Formal Disaster Recovery and Business Continuity Plans should be documented and implemented for the Contender system. The Plans should include, though not be limited to the following:</p> <ul style="list-style-type: none"> <li>○ Invocation and escalation procedures;</li> <li>○ Alternative business continuity arrangements;</li> <li>○ The anticipated time to recover the application (Recovery Time Objectives); and</li> <li>○ Details of back-up tapes and their location.</li> </ul> <p>Once implemented, the Plans should be subjected to annual review and testing.</p>	<p>Agreed. Disaster Recovery and Business Continuity Plans will be documented and implemented for the system, and annual review and testing will take place.</p> <p>(Business Support Manager / April 2011)</p>

Newman Cathilic College	<p>Eleven priority 1 and seventeen priority 2 recommendations were raised as a result of this audit. All priority one recommendations were agreed by the school.</p> <p>Many issues are common to schools and the internal audit team will produce a summary of common weaknesses and recommendations as part of the year end report.</p>	
Budget Monitoring & Control (BHP)	<p>Final Report Reported separately to the BHP Audit &amp; Finance Sub-Committee</p>	

### Audits in progress

Audit	Status as at 10 February 2011
Reablement	Draft Report
Corporate Property Service Model	Draft Report
CRC Energy Efficiency Scheme	Draft Report
NNDR	Draft Report
Council Tax	Draft Report
Payroll	Draft Report
Treasury Management	Draft Report
Children's Centres Financial Management	Draft Report
Use of SEN in Children's Centres	Draft Report
SAS Data Migration (IT)	Draft Report
PC and Laptop Checks (IT)	Draft Report
Northgate Revenues & Benefits Application (IT)	Draft Report
IP Telephony	Draft Report
Interact (Payroll Application)	Draft Report
St Gregory's Science College	Draft Report
Kingsbury High School	Draft Report
Jewish Free School	Draft Report
Alperton Community School	Draft Report
Claremont High School	Draft Report
Wembley High Technology College	Draft Report

Audit	Status as at 10 February 2011
Convent of Jesus & Mary Language College	Draft Report
Queen Park Community School	Draft Report
Mount Stewart Infants School	Draft Report
Braintcroft Primary School	Draft Report
BHP – Recruitment	Draft Report
BHP – Rent Arrears	Draft Report
Establishments – Thematic Work	In Progress
Early Year Single Funding Formula	In Progress
Data Protection & Freedom of Information (FOI) (IT)	In Progress
Manhattan Property Management System (IT)	In Progress
Anti Virus Controls (IT)	In Progress
Network Infrastructure (IT)	In Progress
Direct Payments – Children Social Care	In Progress
Fostering & Adoption Payments	In Progress
Licensing	In Progress
Capital Budgeting	In Progress
Cash & Bank	In Progress
Accounts Payable (Creditors)	In Progress
Accounts Receivable (Debtors)	In Progress
General Ledger	In Progress
Housing Benefits	In Progress

<b>Audit</b>	<b>Status as at 10 February 2011</b>
Pensions Scheme Administration	In Progress
Libraries	In Progress
Kingsbury Green Primary School	In Progress
Oakington Manor School	In Progress
Christchurch School	In Progress
Harlesden School	In Progress
Malorees Infants School	In Progress
Our Lady of Lourdes	In Progress



## Appendix A – Audit Team and Contact Details

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