

	<p style="text-align: center;">Audit Committee 24th September 2009</p> <p style="text-align: center;">Report from the Director of Finance and Corporate Resources</p>
<p>For Information</p>	<p style="text-align: right;">Wards Affected: ALL</p>
<p>Report Title: 1st Internal Audit Progress Report 2009/10</p>	

1. Summary

- 1.1. This report sets out a summary of the work of Internal Audit for the period from 1 April 2009 to 31st August 2009. The attached report provides further details of this together with the assurance ratings and priority 1 recommendations of those audits for which the final reports have been issued since the start of the financial year.

2. Recommendations

- 2.1. The Audit Committee note the progress made in achieving the 2009/10 Internal Audit Plan and the proposals for the future audit arrangements for foundation schools.

3. Detail

- 3.1. The Internal Audit Plan for 2009/10¹ comprises 1211 days, of which 951 are allocated to Deloitte Touche Public Sector Internal Audit Limited, and 260 to the in-house team. Of the total, 45 days were carried forward from 2008/09 to assist with the completion of Financial Management Standards in Schools (FMSiS) assessments in the primary schools, as previously agreed by the Audit Committee.
- 3.2. At the end of August 2009, a total of 474 days had been delivered against the overall Plan, made up of 370 Deloitte days and 104 in-house days. This represents 39% of the Plan and is a significant improvement to the position at the same time last year, at which point 351 days had been completed, representing 28% of the Plan.
- 3.3. In terms of the profile for 2009/10, in so far as it had been possible to allocate audits to a specific quarter prior to the start of the year, the majority of these

have been progressed as planned. Specific target percentages were not agreed for each quarter given that it had not been possible to profile all audits. Appendix 1 sets out the progress in detail.

- 3.4. As was the case in 2008/09, a significant amount of time has been spent in the year to date on undertaking further FMSIS assessments in the primary schools. The deadline for having all primary schools assessed is 31st March 2010. In addition, work has continued with Education Finance to strengthen common control weaknesses within schools, identified as part of the assessments. A key area of focus has been in relation to budget monitoring. Currently, the team is on target to assess all primary schools by the 31 March 2010 deadline, although this is dependent upon each of the schools being ready for their scheduled assessments.
- 3.5. In addition to the Schools, a wide range of systems audits and IT audits has been undertaken together with verification work in respect of the Local Area Agreement (LAA) Stretch Targets and the Supporting People Programme (SPP) Grant. Contract audit work has also been undertaken with Brent Housing Partnership (BHP) and is being planned in relation to the construction of the Civic Centre. Internal audit input has also been provided regarding the development of a project management framework for the Council.
- 3.6. Members will be aware of the concerns about financial management in one of the foundation schools in the borough. Until now, the council has relied upon the work of external audit contractors in providing assurance on the controls within foundation schools. This has been the case since the inception of foundation status when these schools were given the freedom to select their own internal audit provider and to contract independently with that provider. The council's requirements were that these audit reports were copied to the Audit and Investigation where they were reviewed for adequacy. In light of the problems now found in one foundation school, which were not picked up by the schools audit contractor, the Head of Audit considered, in his annual report to the Council, that this mechanism was no longer adequate. The internal audit of foundation schools has been brought back under the direct control of the Audit and Investigation Team and all of these schools are now covered within the council's internal audit plan.
- 3.7. This new approach has meant negotiation with foundation heads, who have previously enjoyed autonomy over this aspect of financial control and some were reluctant to agree to the change. This is, perhaps, understandable given they have not been visited by council auditors for a number of years and the nature of internal audit coverage is somewhat different from that undertaken by external contractors. That said, the council is unable to charge foundation schools for internal audit services and, therefore, there will be a direct financial saving to each school as they no longer need to pay for an external provider. All foundation heads, via the head teachers forum, have agreed to this new approach.
- 3.8. There is, however, an impact on the audit plan. No new resources are available to undertake this work, which has to be subsumed within the 1,211 audit days. There were 13 secondary foundation schools to be added to the

plan. These are large operations and require an estimated 10 to 12 days of coverage, particularly given the added risks due to lack of previous internal audit coverage. Six schools have been brought into the 2009/10 plan, including John Kelly Boys and Girls, which was audited for the purposes of transfer from foundation status to an academy in September 2009. John Kelly Boys and Girls will no longer fall under local authority responsibility from September 2009, leaving 11 secondary schools to be covered in the future. Seven schools will be audited as part of the 2010/11 plan. The frequency of future audits will be determined by a risk assessment following the first audit.

- 3.9. A more detailed summary of progress and key findings from our work is provided in appendix 1.

4. Financial Implications

- 4.1. None

5. Legal Implications

- 5.1. None

6. Diversity Implications

- 6.1. None

7. Background Papers

1. REPORT FROM THE DIRECTOR OF FINANCE – INTERNAL AUDIT PLAN FOR 2009-10, *Audit Committee – 18th June 2009*.

8. Contact Officer Details

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