



Internal Audit
2nd Internal Audit & Counter Fraud
Progress Report – 2016/17
London Borough of Brent
January 2017

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Executive Summary

Introduction

This report sets out a summary of the work completed against the 2015/16 and 2016/17 Internal Audit Plan, including the assurance opinions awarded and any high priority recommendations raised. .

Summary of Work Undertaken

Final Reports issued since the last meeting of the Committee in September 2016 are as follows:

- Homelessness Prevention and Temporary Accommodation
- Planning Applications (Application Review)
- Business Continuity
- Watling Gardens TMO (BHP)
- Complaints Management (BHP)

Detailed summary of work undertaken

FULL / SUBSTANTIAL ASSURANCE REPORTS: 2016/17

Only those audits for which Substantial Assurance was given are indicated here.

Audit	Assurance Opinion and Direction of Travel
BHP	
Compliance Management (BHP)	

LIMITED ASSURANCE REPORTS – General Audits

For all Limited Assurance reports, we have included a brief rationale, together with details of any **priority 1/ High Priority** 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.

Homelessness Prevention

This review considered the effectiveness of the Council’s controls and processes in relation to the “front door” elements of the provision of homelessness services, with a particular emphasis on considering the eligibility assessments and the prevention of homelessness through the design of the control framework in place for the new “Find Your Home” scheme. The review also considered controls in place to support temporary accommodation allocations.

The review identified core control weaknesses in the homelessness application assessment process where system enforced controls to ensure review and enforce segregation of duties were not operating effectively. The review of cases in advance of accepting the homelessness duty is a key control to mitigate fraud and error and ensure that services are only provided to eligible and appropriate service users. The assessment process is the gateway to securing homelessness services from the Council and there are currently significant deficiencies in the controls in place to identify fraud and error in the assessment process.

Management are taking positive, proactive steps to reduce demand for services through dedicating more resources to homelessness prevention and the Find Your Home initiative and this is progressive and innovative when compared to other local authorities and addresses one of the key underlying strategic challenges facing the service.

The service is currently transitioning to a new operating model to support greater emphasis on preventative service provision. We identified that more focussed performance management, more intelligent use of systems and business process mapping/analysis would assist in supporting the service during this transition period to ensure that core service provision does not deteriorate and assist in the achievement of service objectives going forward.

1 High Priority; 4 Medium Priority and 2 Low priority recommendations were raised as a result of this audit. The high priority recommendations is set out below.



Recommendation	Management Response / Responsibility / Deadline for Implementation
<p><u>Cases Accepted Without Required Approval</u> Quality assurance case audits will be performed for at least 80% of applications on a monthly basis by Team Leaders. Senior Management will conduct a quarterly case audit of at least 12</p>	<p>Agreed. Service Manager (Housing Options) / 30 November 2016</p>

Recommendation	Management Response / Responsibility / Deadline for Implementation
<p>cases. Evidence of case audits performed will be recorded and issues identified by quality assurance processes will be communicated to staff.</p> <p>Secondary review of applications will be undertaken by management prior to services (such as B&B and temporary accommodation) being provided to homelessness applicants. This will be evidenced through the system workflow.</p>	<p>As above.</p>

Business Continuity	
<p>BCM controls were found, when compared with the PwC Resilience Benchmark, to be formalised (i.e. a set of controls were evidenced, for example, policy, corporate strategy, business impact assessment / continuity plan templates, and guidance) and a clear management commitment for business continuity was demonstrated. However, some of the controls lacked sufficient detail, for example, components of the Business Impact Assessment (BIA), IT Disaster Recovery (ITDR) procedures, and procurement guidance, and there were weaknesses, particularly in the implementation at a devolved departmental level, in respect of planning, exercising, and assurance over third parties. This could undermine the Council's overall response, and although they may have the capability to respond to planned / known events, for example, property disruption, they may be challenged by non-standard incidents, for example, workforce and supplier disruptions.</p> <p>The team responsible for business continuity are aware of these weaknesses, as demonstrated through the benchmarking exercise and are on a journey to improve the implementation of the current controls following considerable change both within the team and wider organisation in the past 12 months, but currently the business continuity programme is immature against its desired state of compliance against industry standards, and falls below other organisations compared within the benchmark.</p> <p>2 high priority; 4 medium priority recommendations were raised as a result of this audit. The 2 high priority recommendations are set out below.</p>	

Recommendation	Management Response / Responsibility / Deadline for Implementation
<p><u>IT Resilience</u></p> <p>1. Establish clear governance arrangements for IT Disaster Recovery (ITDR) aligned to Business Continuity Management (BCM) Governance.</p> <p>2. Challenge Business Impact Assessments (BIAs) to ensure appropriate appraisal of resource requirements and ensure that these are shared with IT to inform ITDR strategy.</p> <p>3. Develop Major Incident Procedures and Technical Procedures necessary to support the implementation of the ITDR strategy.</p> <p>4. Implement training programme for key staff to ensure awareness and understanding of ITDR arrangements.</p> <p>5. Undertake assurance of ITDR capabilities through a programmed approach to exercise and audit.</p>	<p>All Agreed.</p> <p>Civil Contingencies Manager / 1 April 2017</p> <p>As above.</p> <p>Head of Digital Services / 1 January 2017</p> <p>As above.</p> <p>Head of Digital Services / 1 June 2017</p>
<p><u>Supplier Continuity</u></p> <p>1. Ensure that the requirements for supplier continuity arrangements are mandated where the contract risk dictates, during the procurement and contract process, with guidance developed for those responsible, for example, standard questions, clauses etc.</p> <p>2. The Council should use the output from the Business Impact Assessment to develop recovery strategies for its key suppliers on a risk basis.</p> <p>3. Measures should be put in place to ensure compliance checks are undertaken on suppliers BCM arrangements and involved in joint exercises to test BCM capabilities.</p>	<p>Agreed.</p> <p>Head of Procurement / 1 January 2017</p> <p>As above.</p> <p>As above</p>

Planning Applications

A new management team has been in place since May 2016 and there was evidence of some improvement being made to the system of controls within the planning application assessment process. However, our review did identify significant weaknesses in the planning application review and assessment process due to issues in the design of automated and user access controls with the system used to process planning applications, Acolaid. Issues identified around the system audit trail, user access rights and system enforced controls in place mean that the system is highly susceptible to manipulation and abuse through inappropriate or fraudulent activity and action should be taken immediately by management to strengthen the controls embedded within the system.

2 high priority and 3 medium priority recommendations were raised as a result of this audit. The high priority recommendations is set out below.



Recommendation	Management Response / Responsibility / Deadline for Implementation
<p><u>Approval of Planning Applications: Systems Audit Trail and Workflow</u></p> <ol style="list-style-type: none"> 1. In response to draft Audit findings, the audit trail in the Acolaid system has already been redesigned so that allocation of work and actions completed are recorded automatically based on the user ID. Further work is required to ensure that all actions are recorded in the Actions Screen. 2. In response to draft Audit findings, the segregation of duties has already been enforced by the system for key parts of the process, such as the review and assessment of planning applications by restricting who can allocate and sign off applications as well as inputting Extension of Time. User access rights should be updated to reflect roles and responsibilities in the process. 	<p>All Agreed.</p> <p>Interim Team Manager / 31 January 2017</p> <p>Interim Team Manager / 31 January 2017</p>

Recommendation	Management Response / Responsibility / Deadline for Implementation
<p><u>Acolaid System User Access</u></p> <ol style="list-style-type: none"> 1. Acolaid system access will be reviewed on a quarterly basis to ensure that user access rights are appropriate and evidence will be retained to demonstrate this review. 2. IT will provide a listing of access rights on a quarterly basis to enable the review of access rights and process any changes required. 3. Individuals with administrative access rights will be reviewed and restricted as a priority. The Planning team will work with the IT team to determine who needs administrative access rights. In addition the user access rights for different user profiles will be clearly defined and understood and current user access rights will be reviewed for appropriateness based on this understanding. 4. The activity of users with administrative access rights on the system will be systematically monitored through the review of audit logs. This will be done on a quarterly process as part of action (a). 5. IT will review their processes for processing leavers and removing access to the Acolaid system. 	<p>All Agreed.</p> <p>Interim Team Manager / 31 January 2017</p> <p>Senior Application Support Officer / 31 January 2017</p> <p>Interim Team Manager & Senior Application Support Officer / 31 January 2017</p> <p>Interim Team Manager & Senior Application Support Officer / 31 January 2017</p> <p>Senior Application Support Officer / 31 January 2017</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.

Watling Gardens Tenant Management Organisation (BHP)

Twelve priority 1 and seventeen priority 2 and one priority 3 recommendations were raised as a result of this audit.

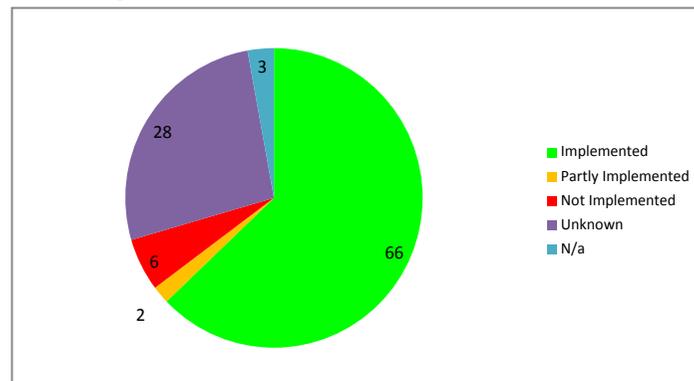


Follow-Up of Previously Raised Recommendations

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 105 (15 priority 1 and 90 priority 2 recommendations, 68 (65%) had been either fully or partly implemented. 3 priority 1 recommendations are no longer applicable due to changes in the relevant service. 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 November 2016.

The number of recommendations due to be implemented by the end of November 2016 as recorded on Infostore is as outlined in the table below:

Number of Priority One Recommendations due	15
Number of Priority Two Recommendations due	90

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

Details	P1	P2	Total
Total Recommendations Due for Implementation as at 30/11/16	15	90	105
Implemented	12	54	66
Partially Implemented	0	2	2
Not Implemented	0	6	6
Not Applicable	3	0	3

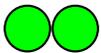
Status Not Updated on Infostore	0	28	28
Total	15	90	105

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 Strategic Directors.

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
Vanessa Bateman – Interim Head of Audit & Investigations	✉ Venessa.bateman@brent.gov.uk
Aina Uduehi – Audit Manager	✉ aina.uduehi@brent.gov.uk
Dave Verma – Counter Fraud Manager	☎ 020 8937 1495 ✉ dave.verma@brent.gov.uk 020 8937 1262

PWC	Contact Details
Stuart Hall – Engagement Director	✉ stuart.hall@uk.pwc.com
Matt Cavanaugh – Engagement Manager	✉ matt.cavanaugh@uk.pwc.com
Olesya Chikana – Engagement Junior Manager	✉ olesya.chikina@uk.pwc.com
	☎ 07525 284290