



**Internal Audit**  
**3<sup>rd</sup> Internal Audit & Counter Fraud**  
**Progress Report – 2016/17**  
**London Borough of Brent**  
**March 2017**

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## Executive Summary

### Introduction

This report sets out a summary of the work completed against the 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 January 2017 are as follows:

- Procurement - Contracts Management & Monitoring
- Public Health – Service Development
- Expanded Troubled Families Programme (January 2017 Grant Certification)
- Kilburn Square Coop (BHP)
- Gas Servicing (BHP)
- Conflict of Interest (Members) (BHP)

## **Detailed summary of work undertaken**

### **FULL / SUBSTANTIAL ASSURANCE REPORTS: 2016/17**

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

<b>Audit</b>	<b>Assurance Opinion and Direction of Travel</b>
<b>BHP</b>	
Procurement – Contract Management	 <b>Reasonable</b>
Public Health – Service Development	 <b>Reasonable</b>
Conflict of Interests & Gifts and Hospitality (Members)	 <b>Reasonable</b>
Gas Servicing	 <b>Reasonable</b>

## **LIMITED ASSURANCE REPORTS – General Audits**

There are no limited assurance reports for the Council which have been finalised since the last Audit Committee.

## 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.

### Kilburn Square Coop (BHP)

Two high priority; six medium priority and one advisory recommendations were raised as a result of this audit.

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### Management of BHP Owned Properties (BHP)

Three high priority; one medium priority and four low priority recommendations were raised as a result of this audit.

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## **2016/17 Audits**

### **Advisory & Non Assurance Work**

#### **Expanded Troubled Families Programme – Certification of January 2017 Payment by Results Claim**

In April 2012, the Government launched the Troubled Families Programme: a £448 million scheme to incentivise local authorities and their partners to turn around the lives of 120,000 troubled families by May 2015. The first programme worked with families where children were not attending school, young people were committing crime, families were involved in anti-social behaviour and adults were out of work.

In June 2013, the Government announced plans to expand the Troubled Families Programme for a further five years from 2015/16 and to reach up to an additional 400,000 families across England. £200 million has been committed to fund the first year of this proposed five year programme.

#### **Certification of January 2017 Payment By Results Grant Claim**

A results based payment of £800 is offered for each family for whom the local authority claims to have either (a) achieved significant and sustained progress, or (b) moved off out of work benefits and into continuous employment.

As with the previous programme the DCLG requires the local authority's Internal Auditor to check and verify at least a random representative sample of results for each claim before it is made. We verified a sample as required and confirmed the eligibility of the families to be included in the programme and that the results being claimed had been achieved.

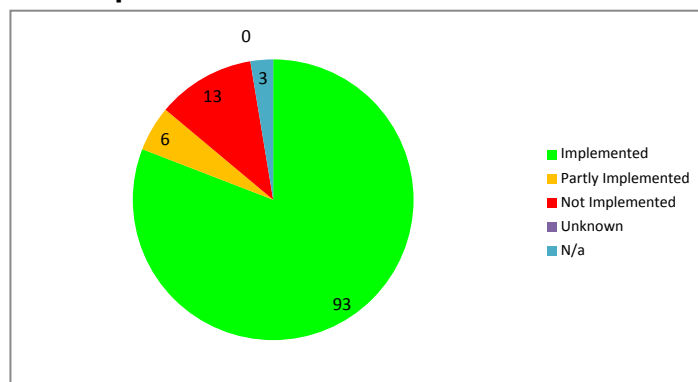
A claim for a total of 66 families was approved as a result of audit work in this area.

### 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 115 (14 priority 1 and 101 priority 2 recommendations, 99 (86%) 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 February 2017.**

The number of recommendations due to be implemented by the end of February 2017 as recorded on Infostore is as outlined in the table below:

Number of Priority One Recommendations due	14
Number of Priority Two Recommendations due	101

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





Details	P1	P2	Total
<b>Total Recommendations Due for Implementation as at 28/02/17</b>	<b>14</b>	<b>101</b>	<b>115</b>
<b>Implemented</b>	11	82	<b>93</b>
<b>Partially Implemented</b>	0	6	<b>6</b>
<b>Not Implemented</b>	0	13	<b>13</b>
<b>Not Applicable</b>	3	0	<b>3</b>

<b>Status Not Updated on Infostore</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>14</b>	<b>101</b>	<b>115</b>

## 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:

Report Classification	Level of Assurance	Points Overall
	<b>Substantial</b>	5 points or less
	<b>Reasonable</b>	6 – 19 points
	<b>Limited</b>	20 – 39 points or minimum 2 high risk findings
	<b>None</b>	40 points and over

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.

### Report classifications

Findings Ratings	Points
<b>Critical</b>	<b>40 points per finding</b>
<b>High</b>	<b>10 points per finding</b>
<b>Medium</b>	<b>3 points per finding</b>
<b>Low</b>	<b>1 point per finding</b>
<b>Advisory</b>	<b>0 points per finding</b>

The report classification is determined by allocating points to each of the findings included in the report.

## 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>Critical</b>	<b>A finding that could have a:</b> Critical impact on operational performance; or Critical monetary or financial statement impact; or Critical breach in laws and regulations that could result in material fines or consequences; or Critical impact on the reputation or brand of the organisation which could threaten its future viability
<b>High</b>	<b>A finding that could have a:</b> Significant impact on operational performance; or Significant monetary or financial statement impact; or Significant breach in laws and regulations resulting in significant fines and consequences; or Significant impact on the reputation or brand of the organisation.
<b>Medium</b>	<b>A finding that could have a:</b> Moderate impact on operational; or Moderate monetary or financial statement impact; or Moderate breach in laws and regulations resulting in fines and consequences; or Moderate impact on the reputation or brand of the organisation.
<b>Low</b>	<b>A finding that could have a:</b> Minor impact on the organisation's operational performance; or Minor monetary or financial statement impact; or Minor breach in laws and regulations with limited consequences; or Minor impact on the reputation of the organisation
<b>Advisory</b>	A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.





### 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.

## Appendix B – Audit Team and Contact Details

London Borough of Brent	Contact Details
Vanessa Bateman – Interim Head of Audit & Investigations	 <a href="mailto:Venessa.bateman@brent.gov.uk">Venessa.bateman@brent.gov.uk</a>
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