



**Audit Advisory Committee**  
20 September 2017

**Report from the Chief Finance Officer**

For Information

Wards Affected: ALL

**Internal Audit and Counter Fraud Progress Report for the period 1 April – 31 August 2017**

**1. Summary**

- 1.1 This report provides an update on the progress against the internal audit plan for the period 1 April 2016 to 31 August 2017. The appendix to the report also summarises those audits from the 2016/17 plan which have been finalised since the last meeting of the Committee. The report also provides a summary of counter fraud work for the first quarter of 2017/18.

**2. Recommendations**

- 2.1. That the Audit Advisory Committee notes the progress made in delivering the 2017/18 Internal Audit Plan and the counter fraud work in the period of the report.





**3. Detail**

- 3.1. The Internal Audit Plan for 2017/18 initially comprised 62 audits.
- Much of the work of the first quarter of the year focused on the completion of the 2016/17 plan. A summary of reports finalised during the first quarter relating to last year's plan is set out in Appendix 1. The 2016/17 plan is now complete with the exception of finalising one school report.
- 3.2. The key points to note with regards to progress for the current year are:
- Ten reports from the 2016/17 audit plan have been finalised since the last meeting of the Committee. Four had "reasonable" assurance opinions; three had "limited" assurance opinions and the remaining three were 'non assurance' reviews. Details are included in Appendix 1 of this report.
  - There were sixty two audit projects included within the agreed 2017/18 plan (excluding follow up and advisory work). Work has commenced on eleven of these.
  - The annual audit plan is necessarily a flexible document to meet the changing risks, issues and management requests that occur in year. Since

the plan was approved we have, where appropriate, made amendments to the plan including: amalgamating certain reviews, ceasing work at scoping stage when the control environment became more fully understood, and removing reviews which were deemed low risk. Additionally, some audits have been removed or deferred at the request of management - either as a result of planned changes to services or because of other external consultancy work being undertaken during the current financial year. Table 2 below has the list of audits removed from the plan and the reasons for doing so.

- Seven audits have been added to the plan. Three are audits which were deferred from 2016/17 and the remaining four have been added as replacements for audits removed from the original plan at the request of management. See table 3 below for the list of audits added to the plan.
- Four audits have been delayed at the request of management. Details of the audits which have been delayed are set out in Table 4 below.
- Three audits from the 2017/18 plan have been completed to draft or final stage. Only one of the audits has an assurance opinion associated with it (limited assurance in this case). The remaining two relate to consultancy work and a certification of accounts which do not have an assurance ratings attached.

**Table 1 – Summary of Audits Completed Since last audit report**

Total Number of Audits Completed	Substantial 	Reasonable 	Limited 	None 	Non Assurance	Total I
<b>Finals</b>	-	4	3	-	5	<b>12</b>
<b>Draft</b>	-	-	1	-	-	<b>1</b>
<b>Total</b>	-	<b>4</b>	<b>4</b>	-	<b>5</b>	<b>13</b>

**Table 2 – Audits Removed from the Agreed Plan**

Audit	Reason
Grants To Voluntary Organisations	Audit in this area was carried out in 2016/17. A 'reasonable assurance' rating was given.
Complaints/FOIs/Members Enquiries	Considered to be low risk and managed corporately.
Employee Loans	To be carried out as a pro-active piece of work by the Investigations team
Access Management	To be combined with IT Security
IT Performance Management	Removed on the basis of previous coverage in 2016/17 as part of IT

	Governance & Third Party Management audit.
IT Governance	Covered as part of GDPR Consultancy
Technological Development of systems and processes to support delivery of services	Removed at the request of management
Early Education Entitlement	Nursery Education Grants for two year olds audited in 2016/17. Reasonable Assurance rating.
Income Collection & Debt Recovery	To be carried out as a corporate audit in 2018/19
Social Media	Discussions with management at the scoping stage identified good control picture
Quality of Care (ASC)	Replaced with an audit of Adults with Learning Disabilities
Contract Management – Sexual Health Care	Deferred to 2018/19 at the request of management
Business Continuity (BHP)	BHP to transfer back to Council in October 2017. BCP will be reviewed as part of a planned Change Management audit.
Safeguarding(BHP)	BHP to transfer back to Council in October 2017. Safeguarding will be in accordance with Council's arrangements and audited accordingly.
Information Governance (non IT) (BHP)	BHP to transfer back to Council in October 2017. Will be covered by Council's procedures and audited accordingly.
Information Management (IT) (BHP)	BHP to transfer back to Council in October 2017. Will be covered by Council's procedures and audited accordingly.
Leave Absence and Sickness Management	BHP staff to be transferred back to Council in October 2017. Will be required to comply with Council procedures in this area.
BHP – AP/AR/GL/CM	Not removed – will covered as part of an expanded scope in the Council's CAM audits
Kypera (IT)	To be replaced by another review at the request of management
BHP Assurance Mapping	BHP will be transferring back to the Council from October 2017. This specific work is no longer required however the annual audit planning

	process for 2018/19 will seek to cover the key elements of this.
--	--

**Table 3 – Projects Added to the Plan**

<b>Audit</b>	<b>Reason</b>
Treasury Management	Transferred from 2016/17 plan
Leasehold Management & Service Charges	Transferred from 2016/17 plan
Integrated Asset Management (BHP) – Follow Up	Transferred from 2016/17 plan
Payroll	Full audit included in consultation with Management.
Adults with Learning Disabilities in Residential Care	Replacement for Quality of Care audit in original plan
Home Care Contracts	Advisory and consultancy to be provided by Internal audit as part of the review and realignment of the service
BHP Review	Requested by management as replacement for Kypera audit

**Table 4 – Projects to be delayed**

<b>Audit</b>	<b>Reason</b>
Treasury Management	Postponed to end of Q2 at the request of management and due to restructure
BACS Payments	Postponed to Q3 due to improvement project scheduled for Autumn 2017.
Code of Governance	Postponed to Q4 due to revisions to Constitution
Mayor's Charity Fund	Postpone to end of Q4 – new Mayor's Charity Fund will be subject to a certification audit. Advisory work on controls to be provided for fundraising activities before the end of Q2.

**Table 5 – Audits in Progress**

<b>Audit</b>
Pensions Administration
CAM Phase 1

Payroll
Leasehold Management & Service Charges
Health and Safety - Asbestos & Legionella (BHP)
Troubled Families Grant Certification work
Management of Capital Programme
HR Contract Administration - Terminations

**Table 6 – Delivery Status as at 31 August 2016**

Delivery Status	
Total number of reports to be delivered in current plan	47
Number of draft/final reports/certifications issued to date	3
% of reports issued to date	6%

- 3.3. Progress to date on the 2017/18 internal audit plan is currently below the profiled target for quarter one. This has largely been due to the significant amount of work required to finalise the outstanding 2016/17 audits during the quarter. However, the expectation is that the revised plan will still be delivered within the year. It is also possible that there may be further amendments as engagements progress to the scoping stage.

**3.4. Follow Up of 2015/16 and 2016/17 Audit Recommendations**

The Public Sector Internal Audit Standards requires the Chief Audit Executive (the Head of Internal Audit and Investigations) to establish a process to monitor and follow up management actions to ensure that they have been actively implemented or that senior management have accepted the risk of not doing so.

Of the 115 priority 1 and 2 recommendations arising from 2015/16 audits and due to be implemented by 31 August 2017, 101 had either been fully or partly implemented 11 had yet to be implemented and 3 were no longer applicable due to changes within the relevant service. Table 7 sets out the summary. We will be issuing final reminders on the 11 outstanding items.

**Table 7 - Status of 2015/16 Priority 1 and 2 Recommendations**

Priority	Total	Implemented	Partly Implemented	Not Implemented	N/A	Status Un
Priority 1	14	11	0	0	3	0
Priority 2	101	84	6	11	0	0
<b>Total</b>	<b>115</b>	<b>95</b>	<b>6</b>	<b>11</b>	<b>3</b>	<b>0</b>

**2016/17 Follow Ups**

The approach to follow up audits has changed for 2017/18. Instead of relying on self-certification by auditees, Internal Audit will be carrying out follow-up work to determine the extent to which agreed high and medium-priority recommendations have been implemented by management. A follow up Action Plan report setting out a summary of recommendations which have yet to be implemented will be issued as a deliverable following the review.

The following audits which were finalised during t2016/17 have been followed up since the last meeting of the Committee:

- Complaints Management (BHP);
- Fire Maintenance, Servicing & Responsive Repairs (BHP); \*\*\*
- Kilburn Square Coop (Review of Internal Controls) and
- Watling Gardens TMO (Review of Internal Controls).

*\*\*\* Subject to a separate report to the Committee.*

See Appendix 1b of this report for a summary of the results.

### **Public Sector Internal Audit Standards**

- 3.6. The Chartered Institute of Public Finance and Accountancy (CIPFA) adopted a common set of Public Sector Internal Audit Standards (PSIAS) from April 2013 (updated April 2017). These standards, which are based on the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF), are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of Internal Audit across the public sector.
- 3.7. The Standards require that the Head of Audit and Investigations to undertake a periodic self-assessment of the Internal Audit standards against a Quality Assurance & Improvement Plan (QAIP) checklist and outline the results. This self-assessment has recently been carried out and the results and action plan are the subject of a separate report to the Committee.
- 3.8. In addition, the standard also requires the internal audit function to be reviewed by an external organization at least every five years. The Internal Audit function has nominated itself for a peer review which is scheduled to be carried out early in 2018.

### **Internal Fraud**

- 3.9. Internal fraud refers to fraud committed by employees, agency staff and staff in maintained schools. For the purposes of this report, “fraud” includes instances of theft, fraud, misappropriation, falsification of documents, undisclosed conflicts of interest and serious breach of financial regulations. Activity for the first quarter of the year to date is shown in table 8 below:

**Table 8 – Internal Fraud 2017/18**

<b>Internal</b>	<b>2017/18 Q1</b>	<b>2016/17 Q1</b>	<b>2016/17</b>	<b>2015/16</b>
Open Cases b/f	16	22	22	21
New Referrals	8	10	28	42
Closed Cases	8	10	34	31
Open cases carried c/f	16	22	16	22
Fraud / Irregularity identified (as summarised below)	2	2	12	9
Dismissal	0	0	1	3
Resignation	0	1	2	5
Warning	1	0	1	1
Other positive outcome (e.g. system improvement, overpayments only)	1	1	8	4

3.10. In addition to actual fraud, bribery and corruption, the Investigations team also investigate allegations of disrepute, conflicts of interest and computer misuse. There were eight new cases referred in the first quarter of 2017. Notable cases during the first quarter of 2017 are as follows:

- A school employee received a final warning for a significant housing benefit overpayment, which resulted from a failure to declare a change in circumstances;
- An employee was dismissed for misuse of the Zipcar scheme. Criminal proceedings have been initiated for this case and a future internal audit planned, and
- A member of staff at a school received a final warning for a housing benefit overpayment.

### **Housing Tenancy Fraud**

3.11. Recovery of social housing properties has a significant impact upon the temporary accommodation budget. The Audit Commission have estimated that the average value, nationally, of each recovered tenancy is £18,000\*. Caseload information is set out in table 9 below.

**Table 9 – Housing Fraud 2017/18**

<b>Housing Fraud</b>	<b>2017/18 Q1</b>	<b>2016/17 Q1</b>	<b>2016/17 Full Year</b>	<b>2015/16 Full Year</b>
Open cases b/f	82	121	121	174
New Referrals	27	140	332	250
Closed Cases	33	101	371	314
Open cases carried c/f	76	160	82	121
Fraud Found	6	13	52	73
Recovered Properties	5	10	44	63
Applications Refused	NIL	0	NIL	2
Property Size Reduced (Rehousing)	1	1	4	5
Right To Buy	NIL	2	4	3
<b>Value of properties recovered*</b>	£90,000	£180,000	£792,000	£1,134,000
<b>Value of Property Size Reduced</b>	£18,000	£18,000	£72,000	£90,000
<b>Value of Right to Buy Discount Prevented**</b>	NIL	£207,800	£416,000	£282,000
Cases with Legal for Possession/Prosecution	25	33	26	18

\*\* Actual amount of discount stopped

- 3.12. **Succession cases** – these cases involve mainly applications from (alleged) family members who claim to have been resident with the deceased resident for a year or more, thus entitling them to succeed the property.
- 3.13. Succession cases are referred by BHP and investigated by the Investigations team from which two cases were proven, with the succession applications being refused and the properties being recovered.
- 3.14. The Investigations team have developed strong links with local Housing Associations/ Residential Social Landlords (RSL) and have investigated their Brent fraud cases for around three years. This resulted in a steady stream of referrals from 2014 onwards. However, this referral stream has dwindled to a



few new cases in the last year and only one new referral in the first quarter of 2017/18. Despite this, 13 RSL properties were recovered in 2016/17. These were previously referred cases, with some notable prosecutions and financial penalties resultant.

- 3.15. The RSL investigations are conducted on the agreement that the Council receives the nomination rights on any recovered properties, Brent Housing are currently working on a list of 13 recovered properties to ensure these have been re-assigned back to Brent for re-allocation.
- 3.16. As the RSL referral stream is significantly down, the Investigations team are working, to make new contacts and re-enliven the reporting protocols. The main challenges to the referral stream have been changes in government funding to RSL reorganisations and changes to business practices. The majority of our RSL officer contacts left their organisations during 2016.
- 3.17. The Investigations Manager recently met with Catalyst Housing Group's newly appointed fraud lead and it is expected that referrals will now start up again. Similar meetings are being scheduled with the other main RSLs.
- 3.18. The Investigations Team will also attend an RSL meeting chaired by the Head of Housing Needs with the local RSL lead managers present. The Investigations Team are also working with the Communications Team to encourage RSLs' to create fraud reporting links on their web pages

#### **Other External Fraud**

- 3.19. This category includes all other external fraud/irregularity cases, such as blue badge, direct payments and council tax discounts.

**Table 10 – Other External Fraud 2017/18**

<b>Other External Fraud</b>	<b>2017/18 Q1</b>	<b>2016/17 Q1</b>	<b>2016/17 Full Year</b>	<b>2015/16 Full Year</b>
Open cases b/f	14	57	57	20
New Referrals	14	83	161	99
Closed Cases	15	34	204	62
Open cases carried c/f	13	106	14	57
Fraud / Irregularity	4	4	22	10
Prosecution	NIL	NIL	2	NIL
Warning / Caution	NIL	1	6	3
Overpayment Identified	3	1	7	7

- 3.20. **Blue Badge.** The Investigations Team undertakes quarterly on-street anti-fraud drives with Parking, the Parking contractor and the local Police. The latest exercise was undertaken in July 2017 and resulted in good publicity. There were six parking fines issued for blue badge related offences. One vehicle was removed, four badges were retained. 12 other parking fines were issued for non blue badge related parking offences.
- 3.21. **Proactive anti-fraud work.** The Investigations Team has scoped a number of high profile anti-fraud proactive drives in the following areas. Client meetings are underway and the projects will start imminently:
- Business Rates – High risk industrial areas. (Q2);
  - Council Tax – Students (Q2);
  - Procurement (Q3);
  - Direct Payments (Q3);
  - Blue Badge – One day per quarter (Q2/3/4), and
  - Housing – visit drive to a high risk block/s / estates (based on risk / intelligence for potential fraud). One chosen by BHP and one by us. (Q3/4)
- 3.21. The Anti-Fraud and Bribery Policy (2013) is currently being refreshed for consideration by Committee in December 2017 and a new Anti-Money Laundering Policy (AML) is also being drafted.
- 3.22. The Investigations team's online fraud reporting form has been set up on both the internet and intranet.
- 3.23. The National Fraud Initiative (NFI) 2016/17 data matching exercise is now under way following data submission in October 2016 and matches generated from January 2017. There are a total of 20,463 data matches (8,036 are recommended) across the full range of data sets that include Payroll, Pensions, Finance, Creditors, Housing, Benefits, Direct Payments, Insurance, Parking Permits and concessionary travel. All NFI Key Reports have either been reviewed or under review.
- To the end of 2017/18 Q1, the overall summary of NFI work is as follows:
    - Processed - 854;
    - Investigating – 52;
    - Cleared – 507, and
    - Fraud/Error identified – 319.Overpayments / Savings identified £168,177.44.
  - Notable results from NFI reports reviewed is as follows:
    - Blue Badge data to deceased persons; 447 matches reviewed and 304 fraud/errors found resulting in these live badges being cancelled.

Notional saving of £152,000 recorded (£500 for each badge cancelled);

- Brent Pensions to deceased persons - 67 matches reviewed with 12 fraud/error cases found resulting in pensions being terminated and £9,077 being recovered. Four cases remain under investigation by the Investigations team, and
- Insurance - multiple claims within Brent. One case identified with a reserve of £7,100 and has been cancelled/withdrawn.

#### **4. Financial Implications**

- 4.1. There are no specific financial implications associated with noting this report. However the effectiveness of financial controls and fraud investigation can clearly have financial implications.

#### **5. Legal Implications**

- 5.1. None

#### **6. Diversity Implications**

- 6.1. None

#### **7. Background Papers**

- 7.1. None

#### **Contact Officer Details**

Michael Bradley  
Head of Audit & Investigations  
Tel: 020 8937 6526  
Email: [michael.bradley@brent.gov.uk](mailto:michael.bradley@brent.gov.uk)

*CONRAD HALL*  
Chief Finance Officer



**Internal Audit**  
**1<sup>st</sup> Internal Audit & Counter Fraud**  
**Progress Report – 2017/18**  
**London Borough of Brent**  
**September 2017**

## Contents

## Page No

Executive Summary	1
Detailed summary of work undertaken	2
Follow-Up of Previously Raised Recommendations	10
Appendix A – Definitions	<b>Error! Bookmark not defined.</b>
Appendix B – Audit Team and Contact Details	13




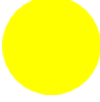
## Executive Summary

<b>Introduction</b>	This report sets out a summary of the work completed against the 2016/17 and 2017/18 Internal Audit Plan, including the assurance opinions awarded and any high priority recommendations raised. .
<b>Summary of Work Undertaken</b>	<p>The final reports in respect of the 2016/17 period and issued since the last meeting relate to the following areas, with further details of these provided in the remainder of this report:</p> <ul style="list-style-type: none"><li>• Assurance Mapping</li><li>• S117 Mental Health</li><li>• IT Governance &amp; 3<sup>rd</sup> Party Management</li><li>• South Kilburn Regeneration</li><li>• School Expansion Programme</li><li>• CAM Phase 2</li><li>• Conflict of Interests &amp; Gifts &amp; Hospitality (BHP Staff)</li><li>• Early Education Entitlement - Nursery Education Grants (2 Year Olds)</li><li>• Appointeeship &amp; Deputyship</li><li>• Tree Management – Follow -Up</li></ul> <p>Final Reports issued in respect of the 2017/18 financial year to date are as follows:</p> <ul style="list-style-type: none"><li>• Barham Trust Accounts – Independent Auditor’s Report (Account Certification)</li><li>• GDPR</li><li>• Complaints Management – Follow Up</li><li>• Kilburn Square TMO – Follow Up</li><li>• Watling Gardens - Follow Up</li><li>• Fire Servicing, Maintenance &amp; Responsive Repairs - Follow Up</li></ul>

## Detailed summary of work undertaken


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

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

Audit	Assurance Opinion and Direction of Travel
<b>General Audits</b>	
S117 Mental Health Act	 <b>Reasonable</b>
IT Governance & 3 <sup>rd</sup> Party Management	 <b>Reasonable</b>
CAM Phase 2	 <b>Reasonable</b>
Early Education Entitlement – Nursery Education Grant (2 year olds)	 <b>Reasonable</b>

## LIMITED ASSURANCE REPORTS – General Audits

For all Limited Assurance reports, we have included a brief rationale, together with details of any **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.

South Kilburn Regeneration	
<p>The regeneration of South Kilburn is a fifteen year programme that is approximately half way through completion. The programme recently underwent a review of its Masterplan, which reviewed the current phasing proposals, timelines, public realm (covering areas such as streets, plants and trees), and much more to ensure that the scheme will address current community needs, programme requirements, new planning policies and the latest standards set by institutions such as the Greater London Authority.</p> <p>Two project and programme reviews were undertaken in 2016/17 and it was noted that there were some consistent themes and weaknesses identified with regards to the approach to project and programme management. In certain instances this is due to potential improvements that can be made at the corporate level to the underlying methodology and templates in place to support project management activity at the Council. This is particularly relevant in the areas of benefits realisation, escalation protocols, periodic reporting and definition of governance arrangements. The Council should consider the nature of the findings identified from these reviews and update the underlying methodology and resources in place to support programme management to ensure that these improvements are realised across the Council's portfolio of project and programme activity.</p> <p><u>Key findings</u></p> <p>We noted that the programme is halfway through the entirety of its 15 year life cycle and utilises a Prince 2 approach to project management. Benefits Management guidance is available as part of the Capital Programme's overall programme methodology, however the systematic management of benefits is not embedded in the South Kilburn programme and specific reporting on benefits management does not occur. We also identified other areas of improvement with regards to improving the robustness of the programme management approach. We noted that exceptions in some areas were caused by weaknesses in the underlying methodology to project and programme management at the corporate level.</p> <p><b>One High risk and six Medium risk findings were identified as a result of this audit. The action points agreed by management for the high risk finding are set out below.</b></p>	

Recommendation	Management Response / Responsibility / Deadline for Implementation
<p><b><u>Ongoing Management of Benefits</u></b></p> <p>Management agreed the following actions:</p> <ol style="list-style-type: none"> <li>1. Develop benefit profiles to fully define benefits across the programme and composite projects including detailed descriptions of</li> </ol>	<p><b>All Agreed.</b></p> <p><b>Recommendations 1-5 / Head of Estates Regeneration)</b>  <b>Recommendation 6 / Performance Management Officer)</b></p>



Recommendation	Management Response / Responsibility / Deadline for Implementation
<p>the intended benefits, baseline position, method of measurement, measurement criteria, benefit owners, monitoring arrangements and target date for realisation.</p> <ol style="list-style-type: none"> <li>2. Develop and maintain a benefits realisation plan, monitoring the realisation of benefits throughout the lifecycle of the programme.</li> <li>3. Update Project Status Reports, to include a section on reporting on benefits management.</li> <li>4. Update programme/project plans to allocate resources to benefits realisation.</li> <li>5. Roles and responsibilities for delivery of benefits should be clearly documented. Benefits should have clearly assigned owners who are responsible and accountable for its realisation.</li> <li>6. Refresh the benefits management guidance and circulate the corporate template for recording and monitoring benefits to all programme and project managers.</li> </ol>	<p><b>31 August 2017</b></p>

## School Expansion Programme

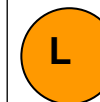
The London Borough of Brent has been experiencing unprecedented growth in demand for primary school places. The Council retains the statutory responsibility to ensure that there are sufficient school places available for all Brent children and young people who need one. In order to deliver the expansion strategy, the Council introduced the £150m School Expansion Programme which aims to create 9,000 new primary school places by the end of the decade, to deal with the rising young population in the Borough.

Activity.

### **Key findings**

The programme utilises a Prince 2 approach to project management. Benefits Management guidance is available as part of the Capital Programme's overall programme methodology, however the systematic management of benefits is not embedded in the Schools programme and specific reporting on benefits management does not occur. We also identified other areas of improvement with regards to the robustness of the programme management approach. Specifically issues were identified around the systematic approach to ensuring the underlying and strategy and supporting business case are systematically reviewed to ensure the programme will deliver the required school places based on up to date assumptions. We noted that exceptions in some areas were caused by weaknesses in the underlying methodology to project and programme management at the corporate level.

**One High risk and five Medium risk findings were identified as a result of this audit. The action points agreed by management for the high risk finding are set out below.**




Recommendation	Management Response / Responsibility / Deadline for Implementation
<p><b>Ongoing Management of Benefits</b></p> <p>Management agreed to take the following actions:</p> <ol style="list-style-type: none"> <li>1. Develop benefit profiles to fully define benefits across the programme and composite projects including detailed descriptions of the intended benefits, baseline position, method of measurement, measurement criteria, benefit owners, monitoring arrangements and target date for realisation.</li> <li>2. Develop and maintain a benefits realisation plan, monitoring the realisation of benefits throughout the lifecycle of the programme.</li> <li>3. Update Project Status Reports, to include a section on reporting on benefits management.</li> <li>4. Update programme/project plans to allocate resources to benefits realisation.</li> <li>5. Roles and responsibilities for delivery of benefits should be clearly documented. Benefits should have clearly assigned owners who are</li> </ol>	<p><b>All agreed.</b></p> <p><b>Recommendations 1-5 / Capital Programme Manager</b></p> <p><b>Recommendation 6 / Performance Management Officer</b></p> <p><b>31 August 2017</b></p>

Recommendation	Management Response / Responsibility / Deadline for Implementation
<p>responsible and accountable for its realisation.</p> <p>6. Refresh the benefits management guidance and circulate the corporate template for recording and monitoring benefits to all programme and project managers.</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.

### Conflict of Interests & Gifts & Hospitality (Staff)

No high risk findings were identified as part of the review. 8 medium risk and 1 low risk findings were identified.	
---	---

### Tree Management Follow Up (Non Assurance)

Five recommendations (three priority 1 and two priority 2) were raised in the original report. All five recommendations have been fully implemented.	<b>Non - Assurance</b>
--	------------------------

## 2016/17 and 2017/18 Advisory & Non Assurance Work

### **Assurance Mapping**

The Institute of Internal Auditors (IIA) describes Assurance Mapping as a tool to ensure key risks are assured across an organisation, by driving out gaps and overlaps to ensure resources are targeted at critical risks. By performing this exercise, we are able to ensure that the work of the Council's Internal Audit team is focused on the right areas, helping the Council to manage risk more **effectively**.

The Assurance Map includes over 190 individual 'auditable units' i.e. key activities performed by the Council which could be audited by Internal Audit. These have been consolidated into sub groups (tailored to the Council's structure). The Assurance Map demonstrates that the Council has several independent assurance processes and sources over its key risks for each auditable unit, including (but not limited to): External Audit; Ofsted inspections; Trading Standards inspections; and independently commissioned reviews. These sources of assurance, together with the Council's risk management approach, help to ensure that key risks are being managed effectively.

We considered these assurance sources and the risks they covered, to determine where there were gaps and/or overlaps in assurance and to determine an 'assurance requirement' rating for each auditable unit. The heat map was produced which showed the *average* assurance requirement rating by Council sub-group and suggests that assurance resources may need to be directed at those areas with a higher average assurance requirement rating (a score of >17).

### **Appointeeship and Deputyship**

Review of Internal Controls

Action Plan to address internal control gaps identified as part of review.

<p><b><u>Barham Trust Accounts – Accounts Certification</u></b></p> <p>The council are trustees for the Barham Park buildings and park. The trust is required to produce accounts for the Charities Commission. The accounts require an independent review by a suitably qualified person.</p>	<p>Internal Audit issued an Independent Auditor's Report for the 2016/17 financial period as required following the review of the accounts and in accordance with Charity Commission's requirements.</p>
<p><b>GDPR Readiness Assessment - Non Assurance</b></p> <p>The General Data Protection Regulation (GDPR) will impact every entity that holds or uses European personal data both inside and outside Europe.</p> <p>The GDPR gives rise to increased compliance requirements backed by heavy penalties (up to 4% annual worldwide turnover for groups of companies) and a direct right of action for citizens in the European courts. The GDPR is seeking to:</p> <ul style="list-style-type: none"> <li>• Put citizens back in control of their personal data; and</li> <li>• Improve protections for personal data at the entity's side.</li> </ul> <p>The Regulations will be fully in force on 25 May 2018. After that point the GDPR will replace the European Data Protection Directive 95/46/EC.</p>	<p>The Council underwent a GDPR Readiness Assessment ("R.A.T") in mid-June 2017. The purpose of the RAT was to assess at a high level, the maturity of the Council's existing privacy controls against the requirements of the GDPR. The assessment which was based on oral evidence only, reviewed 2 key privacy domains:</p> <ul style="list-style-type: none"> <li>• Data Protection architecture (structures in place within the organisation to facilitate compliance).</li> <li>• Data Protection principles (the compliance obligations in the GDPR around data quality, such as accuracy, retention and security).</li> </ul> <p>The following themes were identified:</p> <ol style="list-style-type: none"> <li>1. The Council is in a good starting position for adhering to the requirements under GDPR.</li> <li>2. The Council should define a more detailed GDPR Programme Strategy.</li> <li>3. The Council should review the responsibilities of data protection staff and appoint Data Champions to assist with the implementation of the GDPR Programme.</li> <li>4. The Council should review and update its Data Subject Access Request (DSAR) processes and review the requirements under the right for data portability.</li> </ol>

## Follow-Up of Previously Raised Recommendations

The approach to our follow up of internal audit recommendations has changed to improve organisational effectiveness and performance. We have moved from a process of self-certification to a more robust approach of confirming the implementation of agreed recommendations by carrying out verification work on all high and medium priority recommendations. Following the completion of any additional work, a follow up action plan report will now be issued setting out which recommendations which remain outstanding. Management will then be given a deadline for updating Internal Audit on the status of the outstanding recommendations. The Audit Advisory Committee will be updated on the status of implemented and non-implemented recommendations due as part of the normal reporting arrangements.

Set out in the table below is a summary of the audits followed up since the last meeting of the Committee based on the new approach:

<b>Audit</b>	<b>Initial Assurance Rating</b>	<b>Rating After Follow Up</b>
<b>Complaints Management (BHP)</b>	Substantial	Reasonable **
<b>Kilburn Square Coop – Internal Controls Review (BHP)</b>	Limited	Limited
<b>Watling Gardens TMO – Internal Controls Review (BHP)</b>	Limited	Limited
<b>Fire Servicing, Maintenance &amp; Responsive Repairs (BHP)</b>	Nil	None***
<b>Tree Management (BHP)</b>	Limited	Reasonable





\*\*Under new assurance rating previous “Substantial” assurance would now be classified as “Reasonable”

\*\*\* Under new assurance rating previous “Nil” assurance is now classified as “None”.

## 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	Definition
	<b>Substantial</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>Reasonable</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.

### 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.

## Appendix B – Audit Team and Contact Details

London Borough of Brent	Contact Details
Michael Bradley – Head of Audit & Investigations	 020 8937 6526 <a href="mailto:michael.bradley@brent.gov.uk">michael.bradley@brent.gov.uk</a>
Aina Uduehi – Audit Manager	 <a href="mailto:aina.uduehi@brent.gov.uk">aina.uduehi@brent.gov.uk</a>
Dave Verma – Counter Fraud Manager	 020 8937 1495  <a href="mailto:dave.verma@brent.gov.uk">dave.verma@brent.gov.uk</a> 020 8937 1262