

Internal Audit
2011/12 Internal Audit Plan
Brent Housing Partnership (BHP)
November 2011

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Executive Summary

Introduction	<p>This report sets out the Internal Audit Plan for the 2011/12 financial year. As per the previous four financial years, the Plan will continue to be delivered through a partnership of the Council's in-house team and Deloitte & Touche Public Sector Internal Audit Ltd.</p> <p>Within the report we cover the following:</p> <ul style="list-style-type: none"> • How the detailed Plan has been formulated; and • How the Plan will be monitored for ongoing relevance during the course of the year. <p>The detailed Plan itself is set out at Appendix A. Within this we have provided an indication as to the proposed coverage for each individual audit, although the Committee should note that these are summary level scopes only, and will be discussed in greater detail with relevant officers prior to the commencement of any work.</p> <p>The Plan itself will be subject to change during the course of the year, so as to ensure its ongoing relevance in light of any new or emerging risk areas, and any new developments / projects which may be initiated. Any significant revisions will be reported on at scheduled Committee meetings.</p>
Total Plan Days	<p>The Plan is based on a total of 152 days.</p>
Formulating the Plan	<p>A number of factors have been taken into account in formulating the Plan. These include the following:</p> <ul style="list-style-type: none"> • Inclusion of any key systems judged to require completion on an annual basis in order to inform the work of both BHP's external auditors and the Council's external auditors; • Consideration of key risk areas across BHP, as determined through Internal Audit's own assessment of risk, as well as liaison with the Director of Finance, the Financial Controller and the Financial Operations Manager; • Consideration of key projects and developments taking place across BHP and the Council to the extent that it impacts on BHP; and • Consideration of areas of known weakness, as determined through previous internal audit work. <p>Internal Audit met with BHP's Finance Controller, the Finance Operations Manager to discuss some of the specific projects within the plan.</p>

Types of Work

Internal Audit comprises a range of specialist skills, the three key areas of coverage being the following:

- General risk based systems audit / compliance based audit;
- IT audit; and
- Contract audit.

A significant proportion of the Plan is allocated to risk based systems audits. However, some audit days are allocated to IT audits and contract related audits.

IT audit work can take a variety of forms, although the main focus within the 2011/12 Plan is on audits of specific IT applications. It is important to note that, with the exception of a small number of applications, BHP is linked into the Council's IT infrastructure. Separate IT audit coverage is therefore not needed for BHP in a number of areas since this is addressed through the IT Audit Plan in place for the Council as a whole. Application audits were undertaken on the Accuserve and Dom Doc systems as part of BHP's 2009/10 Internal Audit Plan. No IT audits were undertaken on any other BHP specific applications in 2010/11. The intention is for the Accuserve Stock Module to be reviewed in 2011/12.

Contract audit work also varies in form, although generally focuses either on the controls in place around the management and administration of a construction based project; the tendering of projects / contracts; or on the controls in place around the management of a contractual relationship. Additional contract audit work was undertaken in 2009/10 and in 2010/11 on contract final accounts, as agreed by the Committee. The intention is to undertake work in this area in 2011/12 as directed BHP.

One key point to note is that the work of Internal Audit is not limited only to systems of control that are already in place and embedded. There is also a key role to play in assisting management to assess the risks involved in new developments / new projects / new ways of working, helping them to determine an adequate system of controls at the design and implementation stage, as opposed to highlighting deficiencies at a later stage when it may be more difficult / costly to address weaknesses. We will continue to liaise with officers throughout the year to identify any instances whereby it is appropriate for Internal Audit to provide this type of assistance in 2011/12.

Ensuring the ongoing relevance of the Plan

It is crucial that the Plan is reviewed on a regular basis during the course of the year so as to ensure that it remains relevant in terms of the key risk areas and any new developments that take place across BHP. We will continue to liaise with the relevant officers during the course of the year so as to determine whether any amendments are required, and will provide an update at scheduled Committee meetings where any significant revisions occur.

Appendix A – Detailed Plan

The Internal Audit Plan for 2011/12 is set out below. Where possible, we have included the proposed number of days against each audit, together with a high level indication of the proposed coverage, the key contact. For each audit we have included the proposed number of days, a high level indication of the proposed coverage, the key contact, and an indication of the proposed timing where this is known at this stage.





AUDIT	DAYS	PROPOSED COVERAGE	KEY CONTACT
Housing Repairs & Maintenance	12	Annual systems audit focussing on key controls and any systems changes. Inclusion on an annual basis is required in order to inform the work of the Council's external auditors.	Gerry Doherty – Chief Executive
Housing Rents	8	Annual systems audit focussing on key controls and any systems changes. Inclusion on an annual basis is required in order to inform the work of the Council's external auditors.	David Bishopp – Rent Accounting & Performance Manager
Contract Audit	11	To focus on the controls in place around the management of properties purchased under the Settled Homes Initiative (SHI) Scheme). Specific areas of focus are likely to include financial control; selection of contractors and letting of the contract; appointment of consultants; tender receipt and evaluation; bonds/insurance; contract variations and provisional sums; valuations and estimations of final cost; liquidated damages; defect liability period; contractual claims; CDM regulations; and progress monitoring.	Gerry Doherty – Chief Executive
Gas Servicing	12	To focus on controls around the	Gerry Doherty – Chief Executive



AUDIT	DAYS	PROPOSED COVERAGE	KEY CONTACT
		identification of properties to be visited; monitoring of completion of visits; follow-up of properties where entry was denied; variations to works and the monitoring of completion of variations; valuation and payments; monitoring of contractor performance & performance monitoring and reporting.	
Leasehold Management & Service Charges	12	To focus on controls around the management of leasehold properties and service charges. Specifically the calculation of annual service charges & major works; consultation process for major works; management fees; timeliness of billing of leaseholders; payment options; receipts from leaseholders; income collection and debt recovery; complaints & arbitration; performance management.	Dawn Martin – Leasehold Services & Income Manager
Treasury Management & Investments	8	To focus on controls in place with regards to the treasury management and investments functions.	Ian Warner – Interim Director of Finance
IT AccuServe (Stock Module)	8	IT Application Audit on the new stock module on Accuserve.	Rick Pinnock – Repairs & Voids Manager
Governance & Risk Management	10	To focus on controls in place around governance and risk management arrangements at BHP.	Linda Footer – Head of Governance & Communication -
Conflicts of Interests & Gifts and Hospitality (Members & Officers)	12	To focus on controls in place for ensuring that Board members avoid conflicts of	Linda Footer – Head of Governance & Communication/ Sejal Karia – HR

AUDIT	DAYS	PROPOSED COVERAGE	KEY CONTACT
		interests in their roles and responsibilities. Also to review of implications of the Bribery Act on the organisation.	Manager
Internal Financial Controls	10	Annual audit focussing on key financial controls operating within BHP.	Ian Warner – Interim Director of Finance
Settled Homes Initiative	17	To focus on controls in respect of administering Settled Homes Initiatives (SHI) and also to follow up the extent to which the recommendations arising from the Council's review have since been implemented. It should be noted that this work will focus on the process up to hand over to the New Homes team and will not include the process operated by the New Homes team for letting the properties. This work has been added to the plan as requested by the Council following the issue identified in respect of out of borough properties acquired under SHI.	Andros Loizou – Senior Project Manager
Repairs & Voids	10	Systems Audit focussing on the requisition of materials; receipting of orders; stock store; dispensing of materials; accounting for usage; stock checks; and Stock Valuations.	Gerry Doherty – Chief Executive
Consultation, Communication, Reporting and Follow-Up	20	To cover attendance by Internal Audit management at Audit & Finance Sub-Committee meetings and the production of progress reports for these. In addition, to cover managements' non-audit specific liaison and communication with officers during the course of the year, for example ongoing liaison regarding any	N/A

AUDIT	DAYS	PROPOSED COVERAGE	KEY CONTACT
		<p>necessary revisions to the Plan and communication of key issues arising from completed internal audit work.</p> <p>In addition, completion of follow-up work on all recommendations raised and agreed as part of the 2008/09 BHP Internal Audit Plan, where the same audits are not being undertaken again as part of the 2009/10 Plan. Also, to follow-up on any further actions raised as part of the 2008/09 follow-up work as being necessary to fully implement recommendations from 2007/08 internal audits.</p>	
TOTAL	152		

Appendix B – Audit Team and Contact Details

London Borough of Brent		Contact Details	
Simon Lane	– Head of Audit & Investigations	 simon.lane@brent.gov.uk	
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Deloitte & Touche Public Sector Internal Audit Limited		Contact Details	
Mark Towler	– General Manager	 phil.lawson@brent.gov.uk	
Phil Lawson	– Senior Audit Manager	 020 8937 1493	
Shahab Hussein	– Senior Computer Audit Manager		