



**Internal Audit  
Progress Report 2011/12  
London Borough of Brent  
December 2011**

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## Executive Summary






<b>Introduction</b>	<p>This report sets out a summary of the work completed against the 2011/12 Internal Audit Plan for the financial year to date. The report provides a summary of the main findings from each audit together with the assurance ratings for each one. Please note that this summary and assurance rating is only reported on once the individual audit reports have been finalised. The report also indicates audits at draft report and fieldwork stage.</p>
<b>Summary of progress against the Plan</b>	<p>The overall Internal Audit Plan for 2011/12 comprises 1,200 days, of which 905 were allocated to Deloitte &amp; Touche Public Sector Internal Audit Limited (Deloitte PSIA), and 295 to the in-house team.</p> <p>As at the end of November, a total of 615 days have been delivered against the overall Plan, made up of 470 Deloitte PSIA days and 145 in-house days. This represents 51% of the Plan and is an improvement on the previous year when 47% of the plan had been achieved at the same stage in 2010.</p> <p>Where it was possible to profile a commencement date for audit work in the first part of the year, the majority of these have progressed as planned. As explained in previous years, the days are not planned to be delivered in an even twelve month split. One reason is that there is a requirement for financial systems to be audited towards the end of the year, in order for sample testing to cover a significant proportion of the accounting period and hence to satisfy the Audit Commission's assurance needs. In addition, given that the Plan has been aligned to many of the developments taking place as part of the One Council programme, a further key factor in the timing of work is the status of implementation of each of these developments.</p> <p>The plan is kept under continuous review in order to determine whether changes will be required in certain areas, on the basis that internal audit work will not be considered relevant in respect of certain projects due to the implementation status. Where this is the case, alternative areas are identified in which to undertake work, so as to ensure that the total planned days are delivered by year-end.</p> <p>A number of planned audits have had to be taken off the plan due to delays in the implementation of the projects to which they relate. Examples of these include the planned review of libraries which is now unlikely to take place due to delays in the planned closure of some libraries. Another audit which has had to be taken off the plan is of the Transformation of support functions for Environment and Neighbourhood as the Service. This was due to the restructure in the summer 2011 and re-design of the support function. In addition, two other planned audits relating to partnership working with external housing bodies and partnership working with NHS will be deferred into 2012/13 plan. Some other potential projects have been identified to replace these audits and others are in the process of being</p>

	<p>identified. There has also been an increase in the number of days allocated to work to be carried out at BHP in relation to the Settled Homes Initiative, following governance concerns highlighted in the Annual Governance Statement.</p>
<p><b>Summary of Work Undertaken</b></p>	<p>A number of systems audits have been completed and are in progress across the Council. In addition, work has been undertaken in relation to the new Project Management Framework being developed and implemented by Regeneration and Major Projects. The work involved an initial assessment of the adequacy of the controls making up the new Framework, and was completed by one of Deloitte's specialist contract auditors, taking account of their construction industry knowledge and experience of good practice across the public sector.</p> <p>Computer audit work is also progressing, and since the last committee a number of audits have been undertaken including Bankline Application, IDEAR Pupil Management, and IT Governance.</p> <p>The final key area of work is in relation to schools, which forms a significant part of the annual coverage. 22 primary schools were included in the 2011/12 plan. The majority of these have been visited by the end of November 2011 and whilst some of these have now been finalised, the rest are either in draft stage or waiting for additional information from the Schools.</p> <p>As was the case in 2010/11 and also reported previously in the last meeting, there are common areas of weakness identified across several of the schools. Primarily these relate to compliance with the Financial Regulations for Schools around high value procurement and leasing arrangements and compliance with the national School Teachers Pay and Conditions Document 2010 (STPCD). The Head of Audit &amp; Investigations requested that the Human Resources Team within Children and Families provide detailed guidance to schools on this and this has now occurred. Internal Audit will continue to assess this area as part of the Internal Audit programme.</p> <p>As previously reported, the Secretary of State withdrew the Financial Management Standard in Schools (FMSiS) in November 2010. The Schools Financial Value Standard (SFVS) has now been published by the Department for Education and it is now available to schools to operate from the Autumn term 2011. Maintained schools will be required to conduct a self assessment against SFVS and submit the return to the Council once a year. Whilst SFVS does not require external validation, as was the case for FMSiS, the Internal Audit programme has been revised to include the key elements of SFVS and this will be covered when the School is visited as part of cyclical Internal Audit programme (every 3 years for primary schools and 2 years for secondary schools).</p>




An audit has also been completed in relation to Project Governance and Contract Variations for Curzon Crescent Children's Centre's refurbishment works. A number of weaknesses were identified as a result of this work and, in addition to issuing a lessons learnt report for this specific project, a briefing paper was issued to the Director of Children and Families so that the lessons can be shared across the other children's centres and schools within Brent.

**Summary of Assurance Opinions and Direction of Travel**

**Assurance Opinions**

	Full  	Substantial 	Limited 	None 
<b>2008/09</b>	-	78% (21)	22% (6)	-
<b>2009/10</b>	-	61% (25)	39% (16)	-
<b>2010/11</b>	-	67% (37)	31% (17)	2%(1)
<b>2011/12</b>	-	67% (10)	27%(4)	6% (1 )

**Direction of Travel**

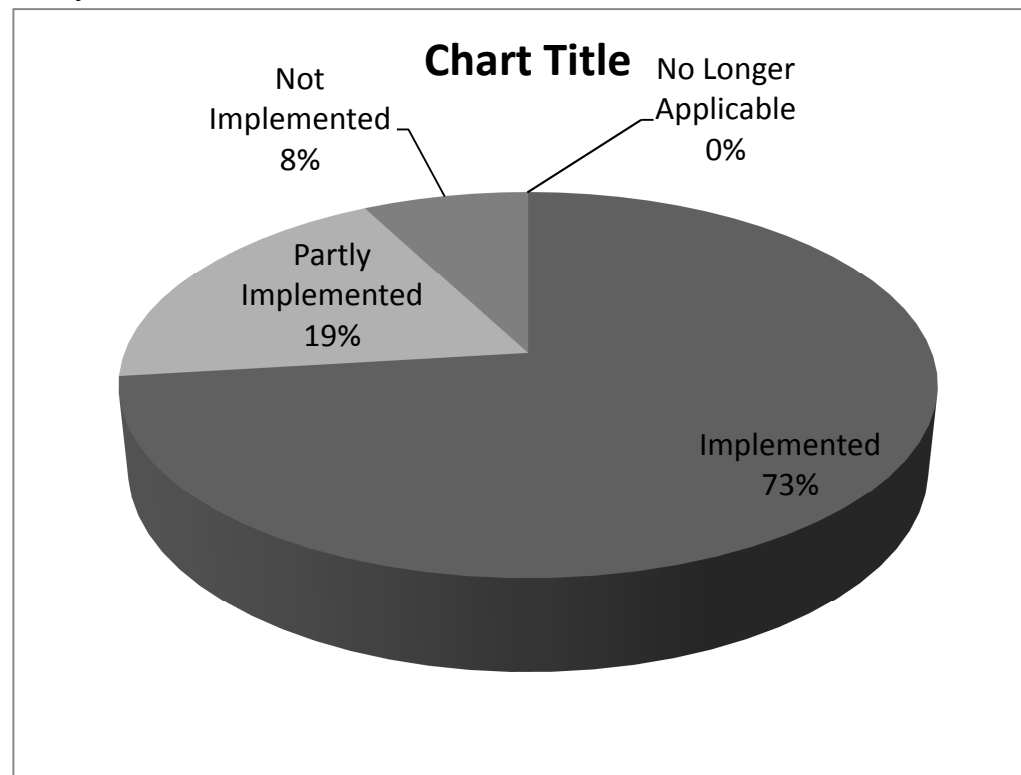
	Improved 	Unchanged 	Deteriorated 
<b>2008/09</b>	8	1	-
<b>2009/10</b>	6	9	-
<b>2010/11</b>	5	5	-
<b>2011/12</b>	1	1	-

Overall, for the work finalised for 2011/12 to date, the spread of assurance opinions is similar to the last year. However, the spread is likely to change when further reports are finalised.

It should be noted that the above figures do not include Brent Housing Partnership (BHP) reports, which are reported on separately to the BHP Audit & Finance Sub-Committee.

### 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 reasonable timescale, with particular focus applied to any priority 1 recommendations.



With regards to the followed-up recommendations reported on since the last meeting of the Committee, the chart above illustrates the status of implementation. The detail behind this is presented on page 26. In total, 92% of the recommendations were found to have either been implemented or partly implemented, with 8% having not been progressed, i.e. no actions had yet been taken to implement the previously agreed recommendations. Of the priority 1 recommendations, 86% had either been implemented or partly implemented, with no actions taken for the remaining 14%. As such, this represents an improvement in comparison to previous periods.

Internal Audit are now monitoring the extent to which management informs that recommendations haven't yet been implemented due to issues with resource levels. It is recognised that this may be a limiting factor in certain areas. However, it is important that both management and the Committee have an awareness of any such recommendations, and, specifically, the risks surrounding the weaknesses to which they relate. In certain instances, if the risk exposure is high, a decision may need to be made as to how this can be addressed given the resources available. Since the last committee there have been no such recommendations to report.

In all cases, if recommendations are found to have not been implemented, internal audit will raise further actions as being necessary and management are required to assign a new deadline and responsible officer to each of these.

**Customer Satisfaction**

**Satisfaction Ratings 1=Poor, 5= Excellent**

Year	Average Overall Rating
2008/09	4.4
2009/10	4.1
2010/11	4.7
2011/12	4.4

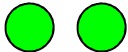



Four completed satisfaction questionnaire have been received so far during the year. This, together with the in-house monitoring of progress and the review of work completed, is a key way in which the performance of Deloitte PSIA is monitored.

## Detailed summary of work undertaken

This section sets out the summary of internal audits completed during the 2011/12 financial year to date.

### Assurance Opinions




There are four assurance levels as follows:

	<b>Full</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>Substantial</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.

The assurance gradings provided above 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**




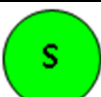


In order to assist management recommendations are categorised according to their level of priority as follows:





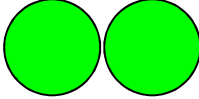
<b>Priority 1</b>	Major issues for the attention of senior management and the audit committee.
<b>Priority 2</b>	Important issues to be addressed by management in their areas of responsibility.
<b>Priority 3</b>	Minor issues resolved on site with local management.

## SUBSTANTIAL / FULL ASSURANCE REPORTS

Only the assurance opinion and direction of travel is being reported on for those audits for which Substantial or Full Assurance was given. The Committee's focus is directed to those audits which received a Limited Assurance opinion.

### 2011/12 Audits


Audit	Status as at 30 November 2011	Assurance Opinion and Direction of Travel
Ward Working Grant	Final Report	
Software Licensing	Final Report	
Exchange and E-mail Archiving	Final Report	
Bankline Application	Final Report	
Member's Allowances and Expenses	Final Report	
Conflicts of Interest & Gifts & Hospitality (Members)	Final Report	

Audit	Status as at 30 November 2011	Assurance Opinion and Direction of Travel
<b>SCHOOLS</b>		
Lyon Park	Final Report	
The Kilburn Park	Final Report	
Uxendon Manor	Final Report	
St Mary's RC	Final Report	
<b>BHP</b>		
Gas Servicing and Fire Equipment	Final Report	

## LIMITED/NIL ASSURANCE REPORTS – General Audits including Computer Audits


For all Limited/Nil Assurance reports, a brief rationale is included together with details of any priority 1 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 have been reported separately to the BHP Audit & Finance Sub-Committee.

**2011/12 Audits** (finalised since the September 2011 meeting)

<b>Frameworki Finance Module</b> (2011/12)	<p>The key weaknesses related to Suspension Cases and Segregation of duties within the Frameworki system.</p> <p>The absence of an arrow indicates that although the post implementation review was undertaken in 2009/10, no comparisons were made as the focus of the post implementation work was different from this work.</p>	
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Priority 1 Recommendations	Management Response / Responsibility/ Deadline for Implementation
<p>The suspension of payments calculation in Frameworki should be changed to meet user requirements and prevent overpayments to Service Users when a suspension is lifted.</p>	<p>ITU were not made aware of the above issue with regards to payment suspensions. Ken Wilson Team Manager – Client Finances, issued the following:</p> <p>“As far as I am aware suspensions are now working correctly and do not repay the period suspended when suspension ends. If care managers end suspensions they may sometimes need guidance on entering relevant end dates. For example we have a case where a care manager suspended rather than ended a case as DP may or may not restart several months later. In such a case it is crucial the end date is entered as soon as the suspension is lifted to prevent an overpayment.”</p> <p><b>Adult Social Care - Central Finance Team</b> <b>Immediate</b></p>

Priority 1 Recommendations	Management Response / Responsibility/ Deadline for Implementation
The ability to act for others should be restricted and only applied when it is required to cover a role for a short period of time. Users should not be allowed to approve their own work. Furthermore, a regular review of user access restrictions should be made to identify exceptions.	Management respond seriously to the concerns of this report and will review the process. <b>Director of Adult Social Services</b> <b>5<sup>th</sup> December 2011</b>

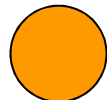
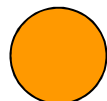
<b>Project and Programme Management</b> (2011/12)	Overall, a number of weaknesses were identified in respect of the compliance with IT project management methodology, project and programme monitoring, and post implementation review. The absence of an arrow indicates that there was no recent or previous internal audit undertaken in this area to provide a comparison.	
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Priority 1 Recommendations	Management Response / Deadline for Implementation
<p>Procedures and processes should be developed to ensure that good project management methodology and practice is followed. For example:</p> <ul style="list-style-type: none"> <li>• Approval of the Objectives and Critical Success Factors is performed by the Corporate Programme Board (One Council Programme Board) or an equivalent of a steering group;</li> <li>• Regular formal Project and Programme Board meetings are held and details from the meetings formerly recorded;</li> <li>• Project Plans are adequately completed that provides details and breakdown of the various tasks, timelines, review stages, begin and end of project timeline with regular review, monitoring and update of the plan and the plan version controlled;</li> <li>• The Programme Plan is regularly updated and monitored by the Corporate Programme Board or an equivalent of a steering group;</li> <li>• Project stage sign offs are obtained;</li> <li>• Formal approval of the budget is obtained with regular monitoring and</li> </ul>	<p>ITU Project Managers are expected to comply with Prince 2 standards, processes and procedures.</p> <p>The ITU Programme Manager will monitor and review that these standards are maintained through the 1-2-1 process.</p> <p><b>ICT Programme Manager</b> <b>Immediate and ongoing</b></p>

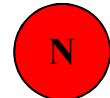
Priority 1 Recommendations	Management Response / Deadline for Implementation
<p>update of the budget performed and reported to the Project Board;</p> <ul style="list-style-type: none"> <li>• Regular (RAG) status update reports are produced and distributed to the Project Board, senior management, key stakeholders and steering groups;</li> <li>• Client satisfaction surveys are carried out;</li> <li>• A lessons learnt exercise is conducted and post project reviews are conducted with any good or bad practices noted for future projects; and</li> <li>• Project sign offs are obtained from the sponsor.</li> </ul>	

## LIMITED ASSURANCE REPORTS – School Audits

Given that a common set of key weaknesses have been identified across schools (as outlined in the Executive Summary), we have therefore not listed all agreed priority 1 recommendations in this section.

<b>John Keble (2011/12)</b>	Three priority 1, seven priority 2, and one priority 3 recommendations were raised as a result of this audit. All priority one recommendations were agreed by the School.	
<b>Mitchell Brook (2011/12)</b>	Sixteen priority 1 and 16 priority 2 recommendations were raised as a result of this audit. All of the recommendations were agreed for implementation by the School.	

## NIL ASSURANCE REPORTS - Schools

<b>Curzon Crescent Children's Centre (2011/12)</b>	22 priority 1 and 16 priority 2 recommendations were raised as a result of this audit. All of the recommendations were accepted for implementation by management.	
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## NON-ASSURANCE WORK

This section summarises other work undertaken during 2011/12 for which an assurance opinion was not applicable.

<b>Lessons Learnt - Curzon Crescent Nursery and Children's Centre Project Governance and Contract Variations</b>	<p><b>Purpose of audit work</b> - This work was added to the Plan on the basis of a request from the current Head of the Centre. It was undertaken as a fact finding exercise in relation to concerns raised by the Head of Centre around the final account values in respect of Phase 1 and Phase 2 of the project, as completed during 2010. The purpose being to seek to establish lessons to be learned for use during Phase 3.</p> <p><b>Background</b> - The Specification for the <i>"Refurbishment Works to existing Nursery and Children's Centre"</i> project at Curzon Crescent, Willesden, London NW10 9SD, dated June 2010 noted that, <i>"The works comprise internal alterations and refurbishment of the existing space to provide revised reception and office facilities, revised classroom layout and new accessible toilet facilities. Works include demolition and alteration works, new partitions and doors, new finishes, new sanitary fittings, revisions to plumbing, mechanical and electrical installations, new joinery fittings and redecoration works"</i>. It further noted that, <i>"Repairs to roof, windows and external elevations may be carried out by others under a separate contract concurrent with the internal works contract"</i>.</p> <p>The original estimated total construction cost at feasibility stage was £203,000. The initial contract sum was for £219,795. The anticipated final account in respect of Phase 1 and 2 is £315,446, an over spend of £112,446, or 55% of the contract sum.</p> <p><b>Key Findings</b> - A new Head has been appointed to the Centre and has noted the number and value of contract variations incurred on Phases 1 and 2. Phase 3 is due to start with an anticipated cost of £82,446.</p> <p>The key findings were:</p> <ul style="list-style-type: none"> <li>Internal Audit were unable to fully undertake the work due to restricted access to records and information. In particular, the Centre was informed by the architect that, <i>"Your auditors appear to be requesting a lot of detailed information, particularly from Appleyards DWB. I trust that the short answers we have provided will be sufficient. You will appreciate that this is not part of our normal service. Whilst we have been happy to assist with this exercise to date, we propose a time charge fee for any additional work that we are requested to carry out in connection with their enquiries. For your information my time is currently charged out at £75 per hour plus VAT"</i>. The cost consultant also stated, <i>"Further to the recent requests for information in respect of the audit that is being carried out on the Phase 1 contract, I confirm that we would be pleased to assist. As we have completed all the Quantity Surveying/ Cost Consultant services covered in our original appointment, I propose that the time we spend in responding to the Auditor's requests for information is re-</i></li> </ul>
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*numerated on a time-charge basis. The responses are going to require both Chweecheen Lim's and my input therefore the hourly would be £85.00 plus Value Added Tax. I trust that this proposal is acceptable to you, however, if you have any queries, please do not hesitate to contact me. I attach a copy of the email to Paul Church dated 12 May 2010 that defines the original scope of our appointment, for you information".*

- There is evidence within some of the Minutes to suggest that the Governing Body may have allowed its concerns about claw back of the Centre's budget to drive its decisions and bring a large scale scheme to site in what may have been too short a timescale.
- There is no formal Capital Prioritisation plan, analysing proposed projects against the Centre's strategic priorities and ranking them. This may have allowed what is now considered by the present Head of Centre and some members of staff to be a project of lesser benefit to the Centre, to go ahead at the expense of greater priority ones.
- There was no project management framework in place. Change control procedures were therefore lacking.
- The project grew in complexity as it progressed to site and it is unclear as to what the Governing Body actually approved and envisaged that it was going to get.
- The Governing Body have not been provided with all of the information it needed, and it failed to provide sufficiently robust scrutiny and challenge to the project despite two of its members being closely involved with it.
- Different project options were not produced or considered, and no cost/benefit analysis of these therefore exists.
- The growth in the project was not checked by any increasingly accurate cost/benefit analysis taken at appropriate gateway review points. Indeed, the project was already overspent by £30K against its budget allocation when areas 1 and 2 were committed to site.
- A properly defined and constituted user group was not set-up. A working party was created and we believe a schematic diagram was made available to staff with a 'suggestions box'. As such, this ultimately led to contract variations even being instructed as late as, and as a result of, undertaking 'snagging' walk rounds. This led to further cost overruns and the undoing of a 'value engineering' exercise that in itself had failed to bring the project back within budget in the first place.
- The tender exercise was not transparent and open advertisement was not used. This represents a breach of the Council's Standing Orders.
- Audit were not provided with evidence of checking the technical and financial capabilities and capacities of those selected to tender.
- The consultants were not appointed via competitive fee proposal or market testing. Again, this is in breach

of the Council's Standing Orders.

- The normal clauses inserted into contracts to allow Internal Audit access to those records and documents it needs to undertake its work were not inserted into the terms and conditions of the consultants' appointments.
- Lowest priced tendering was selected as the procurement strategy as opposed to Most Economically Advantageous Tender (MEAT). This is contrary to general advice and guidance from Constructing Excellence<sup>1</sup>.
- Domestic sub-contractors were not identified.
- Contingency sums were held within the contract sum and not the project budget.
- Contract variations were issued on a monthly basis, were not priced and did not state the effect on the contract sum. Subsequent verification of pricing is not possible as 'inclusive' prices were accepted in the tender submission priced activity schedules and breakdowns have not been available to us. There is no evidence of breakdowns having been requested by the cost consultant on the Centre's project file.
- Accurate estimates of final cost could not be produced because the value of variations had not been established and agreed with the contractor. However, they indicated early enough in the process that this phase of the contract (Areas 1 and 2) was going to overspend. The estimates of final cost did not appear to engender action by the project team to curb the predicted overspending, and budgetary control failed to call a further halt to progressing with Phase 3. There appears to have been scant regard to project cost control and budgetary control. Indeed, in the knowledge (or what should have been knowledge) that Areas 1 and 2 were already overspending the project budget allocation, it raises a question as to whether it was fully justified for any contract variations other than those of a health and safety or structural nature to be instructed at all.
- It is unclear whether the budget effect of going ahead with Phase 3 is fully understood yet.
- The employer may not have been fully protected from any delay caused by the contractor due to certificates of non-completion not being issued in accordance with the contract conditions.
- Internal Audit are unable to say, with certainty, at this point that the Centre has received its Contractor's Design Portion (as built drawings – these are the drawings of what has actually been built as opposed to the architects initial tender drawings); its general as built drawings in respect of the architect designed works; its M&E as built drawings; all of its test and commission certificates in respect of the testing and commissioning of the mechanical and electrical installed items; operating and maintenance instructions in respect of the

<sup>1</sup> <http://www.constructingexcellence.org.uk/aboutus/>

	installed mechanical and electrical items; and warranties and guaranties in respect of all installed architectural, mechanical and electrical items.
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<b>Project Management Framework</b>	<p>The Project Management Initiative is a silver project within the One Council Improvement and Efficiency Action Plan 2010-14. This new approach to delivering major projects is expected to create significant benefits and efficiencies in the way the Council delivers local services, and works with its partners. These include the ability to deliver Major Projects on time and to budget with openness and transparency, through the implementation of sound project and programme management standards. It will also lead to more informed decision making with staff empowered to make decisions at the right level, thereby releasing senior managers to focus on strategy rather than operations.</p> <p>Governance arrangements have been established to ensure projects and programmes remain aligned to corporate objectives.</p> <p>The key elements of the initiative are as follows:</p> <ul style="list-style-type: none"> <li>• A Capital Portfolio Office (CPO) to support the delivery of Major Projects;</li> <li>• Project, programme and portfolio standards that are based on those developed by the One Council Programme Management Office, but go further and take into account the complexity and nature of Major Capital projects;</li> <li>• Project and programme management capability developed across the organisation;</li> <li>• Governance arrangements with clear and defined responsibilities for everyone involved in projects and programmes; and</li> <li>• A gateway review process that ensures programmes and projects remain aligned to the Corporate and Regeneration strategies.</li> </ul> <p>(Source: LB Brent Project Management Initiative Overview February 2011)</p> <p><b>Purpose of audit work</b> - To assist management to determine any revisions potentially needed at this stage, as opposed to waiting until the framework has been fully embedded. Internal Audit have drawn upon examples of good practice in other organisations, as appropriate. It should be noted that an assurance opinion has not been provided in respect of the adequacy of controls, as the focus was only on undertaking a reasonableness assessment. Further work will be considered in the future, primarily in respect of the extent to which the implemented framework is being complied with and is operating effectively for a sample of projects.</p> <p><b>Summary of Findings</b> - Overall, on the basis of the documentation provided and the discussions held, the Framework appears to be relatively comprehensive, with key expected elements covered. Three recommendations have been raised in respect of further elements which will help to ensure the robustness of the arrangements.</p> <p>The recommendations relate to the following:</p> <ul style="list-style-type: none"> <li>• The identification of a 'Benefits Manager' post, or recognition of an associated risk if this cannot be</li> </ul>
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	<p>resourced;</p> <ul style="list-style-type: none"> <li>• The revision of the Risk Log Guidelines to take account of the time required to implement mitigating actions, rather than just the potential timeframe of risks occurring; and</li> <li>• Expanding the process for reporting on forecast costs, to take account of all anticipated final costs, rather than simply those picked up through the change control mechanism.</li> </ul> <p>There is also a need to ensure that the Framework and all associated documentation can be readily accessed by all officers and stakeholders as required. However, we haven't raised a recommendation regarding this, given that we have been informed that the Framework is due to be published on the intranet, thereby addressing the issues with gaining access via the shared drives.</p>
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<b>CRC Readiness</b>	<p>The CRC Energy Efficiency Scheme (formerly known as the Carbon Reduction Commitment; 'CRC' or 'the Scheme') is a mandatory energy efficiency scheme aimed at improving energy efficiency and cutting emissions in large public and private sector organisations.</p> <p>As a qualifying organisation, the Council was required to register with the Environment Agency (EA), the administrator for the Scheme, by 30 September 2010 and will need to comply legally with the requirements of it. The Council will need to monitor its emissions and purchase allowances for each tonne of CO2 emitted in April 2012.</p> <p>The Council's energy use must be reported in an annual report to the EA by the last working day of July following each CRC year end. In the first year, a footprint report is also required. Using a risk-based assessment, the EA will select approximately 20% of organisations for audit each year.</p> <p>The EA will publish a league table each October which will be made public, showing the emissions of the organisations that have participated in the scheme.</p> <p>The Scheme is likely to have a number of significant impacts on the Council. These include the cost involved in purchasing allowances; the administration required to monitor energy use and to draw together the data reported to the EA (including an evidence pack); and civil and criminal penalties, as well as reputational impacts from publicity in the event of non-compliance. Finally, it requires ongoing application of energy efficiency measures and/or fuel switching to reduce carbon footprinting and therefore minimise CRC cost and potential reputational impacts of the league table.</p> <p>Over the past 18 months, using Deloitte's sustainability specialists, Audit has supported the Council in preparing for CRC with a series of workshops and reports, including an assessment of the Council's readiness for the Scheme. As above, all organisations in scope of CRC reporting were required to submit a CRC Annual Report and Footprint Report to the EA by 29 July 2011.</p> <p>This latest piece of work was requested to be undertaken prior to submission of the reports to assist senior management with understanding the Council's readiness for CRC reporting and for any subsequent audit by the EA.</p> <p>It should be noted that the aim of the work was not to validate or confirm the completeness and accuracy of the data to be submitted by the Council. On the basis of the scope, Internal Audit only highlighted any weaknesses identified in the process applied to compile the data, or any issues noted in the data itself, if picked up through sample testing. Management were responsible for addressing these as appropriate prior to submission.</p> <p>The work undertaken by Internal Audit did not identify any errors in the data compiled for reporting, for the sample tested, nor did it identify any significant weaknesses identified in the process for preparation of the CRC reports. However, there were some issues that need to be resolved prior to CRC submission in this and subsequent years.</p>
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## AUDITS AT DRAFT REPORT STAGE or IN PROGRESS

Each of the following audits have been completed and Draft Reports issued. At the time of writing, these have not been finalised as responses have not been received from management with regards to the recommendations raised.

### 2011/12 Audits

Audit	Status as at 30 November 2011
Financial Assessments of Adult Social Care Clients	Draft Report
School Health and Safety	Draft Report
Carlton Vale School	Draft Report
Gladstone Park Primary School	Draft Report
Princess Frederica C of E Primary School	Draft Report
NWLJ Primary School	Draft Report (awaiting additional information / documentary evidence))
Leasehold Management & Service Charges (BHP)	Draft Report
Kensal Rise Primary School	Draft Report
Pre-Paid Card (Staff)	Draft Report
Pre-Paid Card (Beneficiaries)	Draft Report
Poplar Grove PRU	Draft Report awaiting review
Conflict of Interests (Employees)	Draft Report in Progress
Park Lane Primary School	Work in Progress (Further information/documents to be provided)
Business Continuity Planning	Work in Progress
Financial Planning	Work in Progress
Stage Lane PRU	Work In Progress



Audit	Status as at 30 November 2011
Repairs & Maintenance	Work In Progress
Pension Fund Investments	Work In Progress
Equality Impact Assessment	Work In Progress
Housing and Council Tax Benefits	Work in Progress
Payroll	Work in Progress
Brent Transport Services	Work in Progress
Domestic Violence	Work in Progress
Malorees Junior School	Work in Progress

## Follow-Up of Previously Raised Recommendations

The table below provides a summary of the findings from the follow-up work completed since the previous meeting of the Committee, excluding any BHP recommendations.

The approach is explained within the Executive Summary. 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.

For any recommendations found to have only been partly implemented or not implemented at all, further actions have been raised with management. As such, Draft Follow-Up Reports have been included, as well as those that have been finalised. Where the reports have been finalised, the further actions have been agreed with management, including revised deadlines and responsible officers. For those at Draft stage, Internal Audit are awaiting responses from management. All agreed further actions will be added to our rolling follow-up programme as explained in the Executive Summary to this report.

The table includes a column to highlight any priority 1 recommendations which were found not to have been fully implemented. Please note that we have not replicated the full recommendation, only the general issue to which they relate.

Audit Title	Priority 1			Priority 2			Priority 3			Total				Priority 1 Recommendations not implemented
	I	PI	NI	I	PI	NI	I	PI	NI	I	PI	NI	N/A	
Blue Badges	-	1	-	1	-	-	-	-	-	1	1	-	-	-
Freedom Passes	-	-	1	1	-	-	-	1	-	1	1	-	-	-
School Admission	1	-	-	3	-	-	-	-	-	4	-	-	-	-
Framework I Financials	-	-	-	-	-	-	3	2	2	3	2	2	-	-
Copland School	3	1	-	7	-	-	-	-	-	10	1	-	-	-
<b>Total</b>	<b>4</b>	<b>2</b>	<b>1</b>	<b>12</b>	<b>-</b>	<b>-</b>	<b>3</b>	<b>3</b>	<b>2</b>	<b>19</b>	<b>5</b>	<b>2</b>	<b>-</b>	

## Appendix A – Audit Team and Contact Details

London Borough of Brent	Contact Details
Simon Lane – Head of Audit & Investigations	✉ <a href="mailto:simon.lane@brent.gov.uk">simon.lane@brent.gov.uk</a>
Aina Uduehi – Audit Manager	☎ 020 8937 1260
	✉ <a href="mailto:aina.uduehi@brent.gov.uk">aina.uduehi@brent.gov.uk</a>
	☎ 020 8937 1495

Deloitte & Touche Public Sector Internal Audit Limited	Contact Details
Mark Towler – General Manager	✉ <a href="mailto:phil.lawson@brent.gov.uk">phil.lawson@brent.gov.uk</a>
Phil Lawson – Sector Manager	☎ 020 8937 1493
Miyako Fujii – Senior Audit Manager	
Shahab Hussein – Computer Audit Sector Manager	