

**Internal Audit Progress Summary
Report 2007/08
London Borough of Brent
March 2008**



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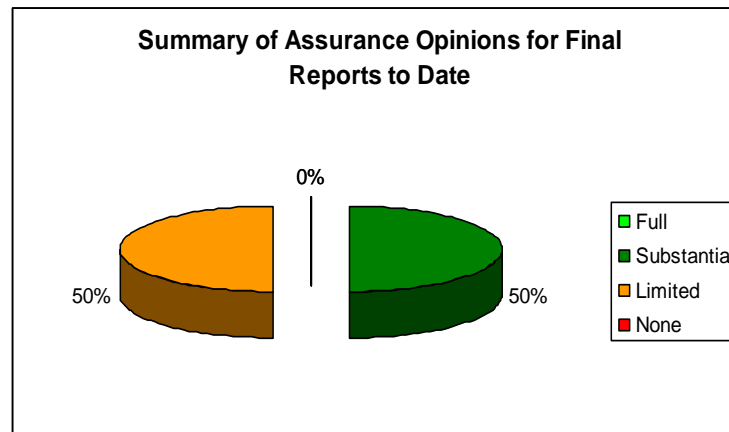
Executive Summary

Introduction	<p>This report sets out the progress made in delivering the 2007/08 Internal Audit Plan for the period 1 April 2007 to date. In the report we provide 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. We have also indicated where draft reports have been issued and are in the process of being agreed with management, or where audit fieldwork is currently in progress.</p>
Summary of progress against the Plan	<p>The overall Internal Audit Plan for 2007/08 comprises 1224 days, of which 774 were originally allocated to Deloitte & Touche Public Sector Internal Audit Limited, and 450 to the in-house team.</p> <p>An additional 100 days have since been transferred from the in-house team to Deloitte due to reduced resources on the in-house side.</p> <p>As at the end of January 2008, a total of 884 days had been delivered against the overall Plan, made up of 581 Deloitte days and 303 in-house days. This represents 72% of the Plan.</p> <p>Some difficulties have been experienced since the last Audit Committee meeting, in terms of scheduling in audits to fully utilise the total days in the Plan. These partly relate to IT audit work, and partly to the work on the Financial Management Standard in Schools (FMSIS). On the IT side, a number of audits have had to be postponed to 2008/09 as these relate to either new systems for which implementation dates have been delayed, or to systems which are now due to be replaced. With regards to FMSIS, there has been a delay in terms of the primary schools being ready for their assessment by the 31 March 2007. Efforts have been made to identify alternative areas for audit so as to still utilise these days, and this has been largely successful, with additional work now scheduled in.</p> <p>The forecast to year-end is now for Deloitte to deliver a total of 839 days. This comprises 100% of their original allocation of 774 days, plus an additional 65 days. This leaves a balance of 35 days remaining from the additional 100 days transferred to them from the in-house team. It has been agreed with the Head of Audit & Investigations that these 35 days should be carried forward into 2008/09 and be specifically allocated to FMSIS assessments, given that all primary schools that had been due their assessment in 2007/08 will also be carried forward to 2008/09. This carry forward of 2007/08 audit days will help to ensure that the FMSIS requirement does not divert too high a proportion of days from the 2008/09 total.</p>

Summary of work undertaken

As in previous periods, audits undertaken by the in-house team and by Deloitte since the previous Audit Committee meeting include a number of systems audits, schools audits and also IT audits which are undertaken by Deloitte’s specialist computer audit section. Contract audit work has been completed in respect of highways term contracts, with this work being undertaken by Deloitte’s specialist contract auditors. Some guidance has also been provided by both the in-house team and Deloitte in respect of the ongoing developments surrounding risk management across the Authority.

Of the 26 Final Reports issued to date for which an Assurance Opinion was due, there have been 13 (50%) ‘Substantial’ Assurance Opinions and 13 (50%) ‘Limited’ Assurance Opinions. No ‘Full’ or ‘None’ Assurance Opinions have been awarded to date. Please note that this does not include the five Brent Housing Partnership (BHP) Final Reports, of which three were ‘Substantial’ and two were ‘Limited’. We have also not included those final reports for which an assurance opinion was not applicable.



West London Framework

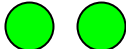



Developments in respect of the West London Framework across the three boroughs of Brent, Ealing and Hammersmith & Fulham were reported on at the last Audit Committee meeting. The in-house team is now using Deloitte’s internal audit software, REX, for which they have received initial training. Further training/guidance is being provided on an ongoing basis and some specific time is being assigned to this in the final quarter.

Detailed summary of work undertaken

We set out, starting on the following page, a summary of the audits commenced since 1 April 2007, with an indication of whether the report has been finalised, whether it is at draft stage, or whether the fieldwork is currently in progress. A summary of the main findings and the Assurance Opinion are only provided for audits for which the final report has been issued. Please note that we list out any priority 1 recommendations raised, but only make reference to the number of priority 2 and 3 recommendations raised. Should Members wish to see full reports for any of the audits then these can be provided upon request.

For Members' reference, the following tables provide the definitions of our assurance opinions, together with the definitions for our recommendation priorities:

Assurance Opinions

	Full	<p>There is a sound system of internal control designed to achieve the client's objectives.</p> <p>The control processes tested are being consistently applied.</p>
	Substantial	<p>While there is a basically sound system of internal control, there are weaknesses, which put some of the client's objectives at risk.</p> <p>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.</p>
	Limited	<p>Weaknesses in the system of internal controls are such as to put the client's objectives at risk.</p> <p>The level of non-compliance puts the client's objectives at risk.</p>
	None	<p>Control processes are generally weak leaving the processes/systems open to significant error or abuse.</p> <p>Significant non-compliance with basic control processes leaves the processes/systems open to error or abuse.</p>

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.

Recommendation Priorities




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

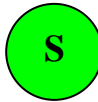

Summary Table

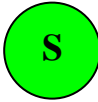
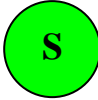

For ease of reference we have split the table to distinguish between audits that been finalised since the last Audit Committee meeting and those for which only a draft report has been issued or the fieldwork is currently in progress. Audits which have previously been reported as final are also included for reference. For those which have previously been reported as final we have removed the summary of findings but left in the Assurance Opinion so that there is an overview of the range of opinions issued for the year to date.

Please note that where audits are part of the Internal Audit Plan with Brent Housing Partnership (BHP), we have indicated the Assurance Opinion for any finalised reports, but the summary of findings is not provided as this will be reported to the BHP Audit & Finance Sub-Committee.


New audits being reported as final:

Audit	Status as at 22 February 2008	Assurance Opinion	
Cashiers	Final Report No priority 1 recommendations were raised as a result of our work We raised one priority 2 and two priority 3 recommendations where changes can be made in order to achieve greater control. All of our recommendations were accepted for implementation by management.	Substantial	
Bankline Application Audit (IT)	Final Report. No priority 1 recommendations were raised as a result of out work. We raised one priority 3 recommendation where changes can be made in order to achieve greater control. All of our recommendations were accepted for implementation by management.	Substantial	
Budgetary Control	Final Report One priority 1 recommendation was raised as a result of our work. This provides an indication of the key weakness identified, and is as follows: <ul style="list-style-type: none"> • All Service Areas should require that Service Units monitor and report on their commitments as part of the budget monitoring process. The budget monitoring returns submitted by Service Units should include a column where commitments which have not yet been posted in the finance systems are added to actual spend and accounted for. All of our recommendations were accepted for implementation by management.	Substantial	
Risk Management – Initial Comparison Exercise	Final Report.		


Audit	Status as at 22 February 2008	Assurance Opinion	
	A comparison exercise was undertaken between Brent and two other London Boroughs, with regards to their risk management arrangements. A series of recommendations were raised, although our standard priority levels were not applied to these and an overall assurance opinion was not provided.		
Supporting People (Contracts & Management of Contracts)	<p>Final Report.</p> <p>No priority 1 recommendations were raised as a result of our work</p> <p>We raised five priority 2 and four priority 3 recommendations where changes can be made in order to achieve greater control.</p> <p>All of our recommendations were accepted for implementation by management.</p>	Substantial	
Housing and Council Tax Benefits	<p>Final Report.</p> <p>Three priority one recommendations were raised as a result of our work. These provide an indication of the key areas of weakness identified, and are as follows:</p> <ul style="list-style-type: none"> • Management should review the amendments to BACS and high value payments reports for validity and accuracy. These reports should be signed and dated as evidence of review; • Management should carry out regular reconciliations between the cases passed from I-World to Debtsys, and the invoices generated from Debtsys; and • Staff should complete the Backdating pro forma when undertaking assessments of backdated payments. Once the payment has been processed, the claimant should be notified and a copy of the notification letter should be retained on View 360. <p>We also raised 7 priority 2 and one priority 3 recommendations Where changes can be made in order to achieve greater control.</p> <p>All of our recommendations were accepted for implementation</p>	Substantial	

Audit	Status as at 22 February 2008	Assurance Opinion	
	by management.		
Anti Social Behaviour (BHP)	Final Report – To be reported to the BHP Audit & Finance Sub-Committee.	Substantial	
BACES	<p>Final Report.</p> <p>Three priority one recommendations were raised as a result of our work. These provide an indication of the key areas of weakness identified, and are as follows:</p> <ul style="list-style-type: none"> • All Centres should retain evidence of their daily cash reconciliations together with copies of all pink receipts issued to customers. Any variances identified from the daily cash reconciliations should be investigated and rectified and this should be documented; • Banking at all Centres should be carried out more frequently, especially during busy periods, and safe insurance limits should not be exceeded; and • The Centres should ensure that banking reconciliations are carried out in a clear and complete manner. <p>We also raised eight priority 2 recommendations where changes can be made in order to achieve greater control.</p> <p>All of our recommendations were accepted for implementation by management.</p>	Substantial	
Internal Financial Controls – Community Care	<p>Final Report</p> <p>Seven priority one recommendations were raised as a result of our work. These provide an indication of the key areas of weakness identified, and are as follows:</p> <ul style="list-style-type: none"> • Bank reconciliations of the Service Area's main bank account 	Limited	


Audit	Status as at 22 February 2008	Assurance Opinion	
	<p>should be undertaken on a monthly basis. Reconciliations should be reviewed by a second officer and any variances should be investigated and resolved in a timely manner;</p> <ul style="list-style-type: none"> • Management should develop a timetable detailing the deadlines for the completion and review of month-end control account reconciliations. The timetable should be communicated to all relevant staff. Once developed, the responsible Finance Officers should ensure that all necessary control account reconciliations including debtor and creditor control account reconciliations to the general ledger should be undertaken within the set timescales. Reconciliations should be reviewed by a senior officer and any variances identified should be investigated and resolved in a timely manner; • Write-Off Request Forms should be completed and authorised by the Assistant Director of Finance for all write-offs. All write-off requests over £1,000 should be formally authorised by the Director of Finance as required by the Council's Financial Regulations prior to the write-offs being made; • All BACS Preliminary Payment Registers should be checked for accuracy, validity and completeness by a nominated officer and authorised by a second independent officer prior to the loading up of the Final Payments Register. The final submission summary report should be signed off by the relevant officers as confirmation of successful execution of the BACS run and as evidence of their involvement; • Cheque stationery should be updated to ensure that all pre-printed cheques are signed off by the Director of Finance as opposed to the Head of Older People Services. If this function has been delegated to the Head of Older People Services, this delegation should be formally documented. 		

Audit	Status as at 22 February 2008	Assurance Opinion	
	<p>Furthermore, all cheque stationery should be stored in a locked cabinet and the key to the cabinet should be held securely. All old cheques should be destroyed in a secure manner;</p> <ul style="list-style-type: none"> • All Service Units should produce and maintain an up to date authorised signatories list with specimen signatures for all authorised signatories. The list should be communicated to all relevant staff with finance functions within the Service Units and the Service Area Core Finance Team; and • The periodic reconciliation of the imprest account should be completed and formally documented. The reconciliations should be signed off and dated by the officer completing the reconciliation and reviewed and signed off by a second officer. All variances identified should be investigated. Service Units should be reminded of the need to adhere to the Council's petty cash claim limit of £50 per claim. <p>We also raised nine priority 2 and one priority 3 recommendations where changes can be made in order to achieve greater control.</p> <p>All of our recommendations were accepted for implementation by management.</p>		
Grants to Voluntary Organisations	<p>Final Report.</p> <p>Three priority one recommendations were raised as a result of our work. These provide an indication of the key areas of weakness identified, and are as follows:</p> <ul style="list-style-type: none"> • Once management have decided upon the overall framework to be developed for the voluntary sector funding programme moving forward, written procedure notes should be developed 	Limited	


Audit	Status as at 22 February 2008	Assurance Opinion	
	<p>that cover the whole grant allocation process, from advertising the grants each year to processing and assessing the applications, making payment to organisations and reviewing performance throughout the year. Roles and responsibilities will need to be clearly defined, both within the Voluntary Sector Team and for the Finance Manager, to avoid the inefficient use of resources through the duplication of controls, and to ensure that all required tasks are undertaken;</p> <ul style="list-style-type: none"> • All applications should be assessed against a set of formal criteria. This could involve scoring of bids to allow for greater clarity and fairness in the decision-making process; and • A formal framework for monitoring the performance of funded organisation and their effectiveness in promoting the Council's objectives should be established covering areas such as the following: <ul style="list-style-type: none"> ○ Responsibility for monitoring performance; ○ Frequency of monitoring (e.g. monthly, biannual, annual); ○ What is monitored (detailed outline of work at the application stage will enable effective monitoring against specific items both in terms of measurable outcomes as well as expenditure and use of Council funds); ○ What means are used for monitoring (self assessment forms, visits, etc); and ○ How the requirement for a visit is assessed. <p>It should be ensured that, once the monitoring framework has been approved, the specific requirements of organisations in terms of providing information, and the methods by which the Voluntary Sector Team will actually undertake the monitoring should be clearly set out in the grant agreements that are signed by each organisation. This should include the Council's</p>		


Audit	Status as at 22 February 2008	Assurance Opinion	
	<p>'right to audit' the organisations in receipt of grant funding.</p> <p>We also raised four priority 2 recommendations where changes can be made in order to achieve greater control.</p> <p>All of our recommendations were accepted for implementation by management.</p>		
Highways Pot Holes	<p>Final Report</p> <p>Two priority one recommendations were raised as a result of our work. These provide an indication of the key areas of weakness identified, and are as follows:</p> <ul style="list-style-type: none"> • The Head of Highways should develop and implement quality control procedures for the maintenance of potholes. These should be provided to both permanent and temporary members of staff working in the Highways Maintenance team; and • The site and number of potholes being claimed by the contractor should always be supported by a "Contender" or "Make-safe Instruction" document, and should not be only manually recorded at the invoice reconciliation stage. <p>We also raised three priority 2 and one priority 3 recommendations where changes can be made in order to achieve greater control.</p> <p>All of our recommendations were accepted for implementation by management.</p>	Limited	

Audit	Status as at 22 February 2008	Assurance Opinion	
Recoupment	<p>Final Report</p> <p>Two priority one recommendations were raised as a result of our work. These provide an indication of the key areas of weakness identified, and are as follows:</p> <ul style="list-style-type: none"> • Management should consider undertaking their own internal review of the recoupment function, drawing on the findings of this internal audit, and external audit findings where appropriate. A formal action plan should then be drawn up setting out all required improvement actions to be taken to address any weaknesses and issues identified. The action plan should include the officers responsible for taking this forward and the timescales for doing so. Following any amendments to the overall recoupment process, management should ensure that revised procedure notes are produced so as to fully document all roles and responsibilities. This task should be included within the overall action plan; and • All claim amounts and claims letters should be approved by the Head of Finance/Finance Manager, or other senior officer, prior to being submitted to other Boroughs for their agreement. <p>We also raised five priority 2 and four priority 3 recommendations where changes can be made in order to achieve greater control.</p> <p>All of our recommendations were accepted for implementation by management.</p>		

Audit	Status as at 22 February 2008	Assurance Opinion	
Non-Stop Gov (IT)	<p>Final Report.</p> <p>Two priority one recommendations were raised as a result of our work. These provide an indication of the key areas of weakness identified, and are as follows:</p> <ul style="list-style-type: none"> • Management should arrange for suitable, secure storage facilities for backup tapes; and • Management should ensure a disaster recovery plan for the Non-Stop Gov system is documented, communicated and tested. <p>We also raised nine priority 2 recommendations where changes can be made in order to achieve greater control.</p> <p>All of our recommendations were accepted for implementation by management.</p>	Limited	

Audit	Status as at 22 February 2008	Assurance Opinion	
Avigdor Hirsch Torah Temimah School	<p>Final Report.</p> <p>Five priority 1 recommendations were raised as a result of our work. These provide an indication of the key areas of weakness identified, and are as follows:</p> <ul style="list-style-type: none"> • Monthly budget monitoring reports should be produced for review by the Bursar, Head Teacher and members of the Finance Committee. The reports should include actual income and expenditure against budgeted amounts, together with forecasts for income and expenditure to year-end. Where any areas of under or over spend are identified, actions should be agreed to address these, and this should be formally recorded; • Income received should be fully and accurately recorded on the income spreadsheet to include the amounts due, date due, amounts received, and the date the income was received. All income banked should be recorded on the SIMS system in a timely manner. In addition, pre-numbered receipts should be issued to parents for all income received and a copy of the receipt retained at the School. In addition, reconciliations between the income spreadsheet, the SIMS system and the bank statements should be completed on a regular basis and reviewed and signed off by an authorised signatory. All discrepancies and variances should be investigated and documented; • All invoices should be paid within the payment period specified by the supplier. In addition, a formal process for the authorisation of payment of invoices should be developed, including limits of authorisation; • A Disaster Recovery Plan for the School should be produced, approved by the Governors and communicated to appropriate 		

Audit	Status as at 22 February 2008	Assurance Opinion	
	<p>staff; and</p> <ul style="list-style-type: none"> The School should complete checks on all new starters' eligibility to work in the UK. Evidence of these checks for example, passport photocopies should be maintained on file. <p>We also raised 13 priority 2 recommendations where changes can be made in order to achieve greater control.</p> <p>A separate summary of all the issues identified in relation to schools can be provided to Members at year-end, if required.</p> <p>All of our recommendations were accepted for implementation by management.</p>		
Northview Primary School	<p>Final Report</p> <p>Seven priority 1 recommendations were raised as a result of our work. These provide an indication of the key areas of weakness identified, and are as follows:</p> <ul style="list-style-type: none"> Roles and responsibilities of the Headteacher and other staff in relation to financial decision making should be set out in writing. A formal scheme of delegation should be drawn up together with a list of authorised signatories and their delegated limits. Minutes of the Governing Body and Finance Committee should include more detailed narrative about discussions on financial matters and include details of decisions made. The process of identifying the school's major risks should be completed and appropriate risk management arrangements 	Limited	

Audit	Status as at 22 February 2008	Assurance Opinion	
	<p>implemented.</p> <ul style="list-style-type: none"> • The format of the budget report should be revised to include a forecast for income and expenditure to the year-end; explanations about the reasons for under/overspends (variances). Monthly budget monitoring reports should be signed by the Headteacher as evidence of review. • All cash held on the school premises should be kept in the safe regardless of value. • Written references should be obtained for all staff prior to their employment being confirmed. Evidence that checks have been carried out to confirm the eligibility of staff to work in the UK should be retained in personnel files. • Approval of the Governing Body should be sought for all expenditure above the Head teacher's delegated limit. Where the Headteacher and Chair of Governors approve expenditure or take decisions beyond their delegated powers (e.g. in an emergency) these should be referred back to the full Governing Body for approval/ratification. <p>We also raised 14 priority 2 recommendations where changes can be made in order to achieve greater control.</p> <p>All but one of our recommendations was accepted for implementation by management.</p>		
Housing Repairs & Maintenance (BHP)	Final Report – To be reported to the BHP Audit & Finance Sub-Committee.	Limited	








Audits currently at draft report stage or in progress:

Audit	Status as at 22 February 2008	Assurance Opinion
Wembley High Technology College	Draft Report – management responses being discussed.	-
Looked After Children Placements	Draft Report – management responses being discussed.	-
Election Expenses	Draft Report – management responses being discussed.	-
Home to School Transport	Draft Report – management responses being discussed.	-
Older People Service	Draft Report – awaiting management responses.	-
Parking Enforcement	Draft Report – awaiting management responses.	-
Curzon Crescent Nursery/Children Centre	Draft Report – awaiting management responses.	-
Internal Financial Controls – Environment & Culture	Draft Report – awaiting management responses.	-
Internal Financial Controls - Housing	Draft Report – awaiting management responses.	-
NNDR Academy (IT)	Draft Report – awaiting management responses.	-
Oracle Pre-Implementation Audit (Children & Families) (IT)	Draft Report – awaiting management responses.	-
Geographical Information Systems (IT)	Draft Report – awaiting management responses.	-
Brentin2 Work	Draft Report – awaiting management's responses.	-

Audit	Status as at 22 February 2008	Assurance Opinion
Register of Interest & Gifts and Hospitality (Board Members) (BHP)	Draft Report to be issued.	-
Register of Interest & Gifts and Hospitality (Officers) (BHP)	Draft Report to be issued.	-
Follow-Up Audit – Pension Fund Investments	Draft Report to be issued.	
Gladstone Park	Draft Report to be issued.	-
Preston Park	Draft Report to be issued.	-
Malorees Junior	Draft Report to be issued.	-
St Joseph's Primary RC	Draft Report to be issued.	
Business Continuity Planning	Fieldwork in progress.	-
Payroll	Fieldwork in progress.	-
Council Tax	Fieldwork in progress.	-
Albert Road Day Centre	Fieldwork in progress.	-
Repairs and Voids (BHP)	Fieldwork in progress.	-
Review of Internal Financial Controls – Finance & Corporate Resources	Fieldwork in Progress.	-

Audits previously reported to Committee as final:

Audit	Status as at 22 February 2008	Assurance Opinion
Pensions	Final Report. Previously reported to the Audit Committee in September 2007.	Substantial 
Payroll / HR System – Pre-Implementation Review (IT)	Final Report. Previously reported to the Audit Committee in September 2007.	Substantial 
Planning Applications	Final Report Previously reported to the Audit Committee in September 2007.	Substantial 
Contract Audit – Alpertons Underpinning	Final Report. Previously reported to the Audit Committee in December 2007.	Substantial 
Mount Stewart Junior School	Final Report. Previously reported to the Audit Committee in December 2007.	Substantial 
IDEAR Application (IT)	Final Report. Previously reported to the Audit Committee in December 2007.	Substantial 
Epicor Financials Application (IT)	Final Report. Previously reported to the Audit Committee in December 2007.	Substantial 
Housing Rents (BHP)	Final Report. Previously reported to the Audit Committee in December 2007 and reported separately to the BHP Audit & Finance Sub-Committee.	Substantial 
Complaints (BHP)	Final Report. Previously reported to the Audit Committee in December 2007 and reported separately to the BHP Audit & Finance Sub-Committee.	Substantial 

Audit	Status as at 22 February 2008	Assurance Opinion	
Watling Gardens TMO (BHP) Review of Management Controls & Implementation of previous audit recommendations	Final Report – To be reported to BHP Board	Limited	
Adult Care Packages – Learning Disabilities	Final Report. Previously reported to the Audit Committee in September 2007.	Limited	
St. Joseph’s RC Infants School	Final Report. Previously reported to the Audit Committee in December 2007.	Limited	
Vernon House School	Final Report. Previously reported to the Audit Committee in December 2007.	Limited	
KS3 – Pupil Referral Unit	Final Report. Previously reported to the Audit Committee in December 2007.	Limited	
Oracle Financials Application (IT)	Final Report. Previously reported to the Audit Committee in December 2007.	Limited	
View360 EDMS Benefits System (IT)	Final Report. Previously reported to the Audit Committee in December 2007	Limited	
LAA Grant Certification	Final Report. Previously reported to the Audit Committee in September 2007.	n/a	
LAA – Review of Internal Control Environment / Grant Statement – Stronger Safer Communities; Connexions;	Final Report. Previously reported to the Audit Committee in September 2007.	n/a	

Audit	Status as at 22 February 2008	Assurance Opinion
Sure Start and Childrens' Services (4 reports issued)		
SIC Verification Exercise	Summary Report for Head of Audit & Investigations to support the production of the Statement of Internal Control.	n/a

Appendix A – Audit Team and Contact Details

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