



**Audit and Standards Advisory  
Committee**  
11 May 2021

**Report from the Director of Legal  
HR, Audit and Investigations**

**Internal Audit Annual Report 2020/21**

<b>Wards Affected:</b>	All
<b>Key or Non-Key Decision:</b>	N/A
<b>Open or Part/Fully Exempt:</b> (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Open
<b>No. of Appendices:</b>	Three  <b>Appendix A</b> - High Risk Issues from 2020/21 Audits  <b>Appendix B</b> – Follow up Reviews  <b>Appendix C</b> - Issues Raised in School Audits 2020/21
<b>Background Papers:</b>	None
<b>Contact Officer(s):</b> (Name, Title, Contact Details)	Michael Bradley Head of Audit and Investigations Tel: 07920 581620 <a href="mailto:Michael.bradley@brent.gov.uk">Michael.bradley@brent.gov.uk</a>

**1. Summary**

- 1.1. This report includes an opinion on the overall adequacy and effectiveness of the Council's internal controls and presents a summary of the Internal Audit work undertaken during the year.

**2. Recommendations**

- 2.1. The Audit and Standards Advisory Committee note the content of the report.

**3. Detail**

- 3.1. The Accounts and Audit Regulations 2015 require the Council to undertake an internal audit of its control systems, taking into account the Public Sector

Internal Audit Standards (PSIAS). These require the Head of Audit to deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The annual report must incorporate:

- the opinion;
- a summary of the work that supports the opinion, and
- a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

### **Opinion of the Head of Audit and Investigation**

- 3.2. This report gives a summary of the work carried out by Internal Audit in 2020/21. From the work undertaken during the year, my overall opinion on the Council's system of internal control is that:

I have considered all of the work conducted by Internal Audit for the year ended 31 March 2021.

In my opinion, with the exception of those areas in which there were a number of high risk issues raised (as set out below), the controls in place in the areas reviewed are adequate and effective.

Where weaknesses have been identified within internal audit reports and investigations, these have been accepted and actions agreed by management.

The framework for governance is set out in the annual governance statement and, in my view, this is an accurate description of the governance arrangements.

In relation to risk management, I have oversight of the risk management process and conclude that a range of significant risks for the authority have been identified and are being managed.

### **Summary of Work Undertaken**

- 3.3. The 2020/21 Audit Plan was approved by the Audit and Standards Advisory Committee in March 2020. The plan originally had a total of 48 audits (excluding follow up reviews, schools audits and advisory work) together with 11 audits that were in progress at the end of 2019/20. The plan has been delivered via an in-house team in partnership with a contracted service from PWC.

Internal Audits	Number
In progress from 2019/20	11
Additions to plan during year	8
Completed	32
In progress - draft report issued to management	8
In progress - fieldwork	6

Deferred to 2021/22	17
Cancelled	4
Schools	4
Follow Up Reviews	29

- 3.4 We have liaised with senior management throughout the year to ensure that internal audit work focuses on high risk areas and, in light of new and ongoing developments in the organisation, ensure the most appropriate use of resources.
- 3.5 The Council has a programme to migrate from the existing finance, procurement and HR/Payroll system to a single Oracle Cloud solution. Audit have been carrying out a real time review to provide assurance on the controls and governance of the programme. Two audit memos have been issued during the year. In a separate audit work stream auditors provided ongoing advice and guidance in respect of risk and controls to each of the HR, Procurement and Finance work streams.
- 3.6 Internal Audit were requested to carry out a number of additional pieces of audit work in relation to the Coronavirus pandemic. This work mainly focused on supporting staff dealing with grant payments ensuring that new processes for payments were properly risk assessed and controlled in order to protect public funds and to minimise the occurrence of fraud. In addition to specific recommendations, a list of key controls and processes were identified and reported for any future grants.
- 3.7 Audit work focused on the reliability of the financial and operational information, management accounting controls, safeguarding of assets, economy and efficiency of operations and review of compliance with relevant statutes and Council regulations.
- 3.8 For each audit where controls have been analysed and a report agreed with management, an indication of the level of confidence is gained by examining the number of issues raised and their associated risk level.
- 3.9 The following table shows the audits completed during the 2020/21 financial year and the number of issues raised together with their risk level. Key themes are captured below. Audits raise issues and assist management in identifying cost-effective actions to mitigate. Management have engaged fully with Audit in identifying these areas and then in undertaking and concluding the mitigation work.

<b>Audit</b>	<b>High Risk Issues</b>	<b>Medium Risk Issues</b>	<b>Low Risk Issues</b>
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**Finance**

Barham Park Accounts	Review of Accounts
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**Community and Wellbeing**

Residential and Nursing Care	2	0	3
GLA Affordable Housing Program	0	3	0

**Children and Young People**

Placements for Children with Disabilities	0	3	1
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**Customer and Digital Services**

Registrars	0	2	2
IT Sourcing & Procurement	0	4	1
IT Governance	0	3	1
Robotic Process Automation	0	4	0
Platform Review	2	2	1
GDPR	0	3	1
PCI DSS	1	0	1
Oracle Cloud Program Management	N/A		
IT Disaster Recovery	1	7	0
Cyber Workshop	Workshop		
Housing Benefits Verification Appeals	0	0	3

**Regeneration and Environmental Services**

Highways	0	1	1
Schools Capital Program	1	3	0
Parking Enforcement	0	0	3
Fleet Management	3	1	0
Health and Safety - Lone Workers	0	2	1
Health and Safety - Legionella	0	3	1
Kensal Triangle Parking Permits	N/A		

**Assistant Chief Executive**

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Voluntary Sector Funding	0	8	1
Complaints Handling	0	0	4
Neighbourhood CIL	0	4	1

#### **i4B/First Wave Housing**

FWH - Service Level Agreements	0	3	2
I4B - Service Level Agreements	0	4	2

#### **Covid 19 Related Work**

Veolia Open Book Review
Compliance and Enforcement Grant Declaration
Business Support Grants
Discretionary grant payments
Residents Support Fund Grant

- 3.10 Further details on the high risk issues raised can be found in Appendix A.
- 3.11 Draft reports have been issued to management and are awaiting responses on the following audits:
- Capital Letters
  - Council Tax
  - IT Asset Management in the Shared Service
  - Additional Restrictions Grant (Covid related)
  - IT Project Delivery
  - Housing Client Function
  - Introductory Tenancies
  - Housing Succession
- 3.12 The following audits are in progress at year end with draft reports to be issued shortly:
- Accounts Payable
  - Treasury Management
  - Contract Management
  - Planning
  - Temporary Workers
  - Leaseholder Repairs
- 3.13 Key themes identified across audits were:
- Policies, procedures and training including missing or out-of-date guidance and
  - Operational issue and risk management in services including the escalation of risks and actions.

3.14 Internal Audit also completed a number of grant claim certifications for the Troubled Families Programme.

**Follow up Reviews**

3.15 As part of the audit process, follow-up reviews are carried out to ensure that agreed management actions in respect of significant risks have been implemented. This process continued through 2020/21.

3.16 During the year 29 follow-up reviews were completed which included seeking evidence that 224 management actions had been implemented as agreed. The results of which were:

Action Status	Number
Implemented	167
Partially Implemented	44
Not Implemented	9
No Longer Relevant	4

3.17 Where actions remain partially or not implemented, revised completion dates have been agreed with management when Internal Audit will revisit to confirm implementation where appropriate. Details of the follow up reviews are set out in Appendix B.

3.18 Work continues in ensuring the status of all outstanding recommendations are reported appropriately to the Council Management Team for action and the Audit and Standards Advisory Committee for information.

**Schools**

3.19 A program of 11 school audits focusing on governance, financial processes and accompanying back office resources were scheduled for 2020/21. This included one carried over from 2019/20. Due to the Coronavirus situation, no school audits were possible until the second half of the Autumn term. A revised approach was used; reviewing documentation remotely and carrying out virtual meetings to discuss issues arising. Four school audits were completed this way.

3.20 Carrying out audits remotely led to issues with the review of documentation and reviews took longer than usual. However, we were able to complete sufficient testing to provide assurance that the schools audited were operating within a robust governance, risk management and control framework and that their resources were managed appropriately and effectively.

3.21 In three of the schools, standards were ‘reasonable’ or higher. Although issues were raised at all schools, many were quite minor in nature. One audit resulted in a number of high risk actions being raised. Management at the school have developed an action plan based on our recommendations. A follow-up audit will be undertaken at this school in 2021/22 and the outcomes reported to the Committee

- 3.22 Further information on the areas where issues were raised are included in Appendix C. The remaining school reviews have been postponed until 2021/22.
- 3.23 Internal Audit continue to attend the Teachers' Panel and School Information Exchange meetings to discuss the audit process, key risk areas and any other concerns raised by schools.

#### **Internal Audit Performance**

- 3.24 While we ensured that the priority audits and associated key risks were addressed during the year, there were a number of reviews in the audit plan that could not be completed during 2020/21 due in part to resources being redirected on to Coronavirus related work. These have been risk assessed and a number of them have been rescheduled in 2021/22.
- 3.25 For part of April and May two members of the Audit team volunteered to contact Brent Residents who were shielding, offering advice and guidance from the NHS, making referrals where necessary for specific assistance to be provided.
- 3.26 A new Principal Auditor was appointed and joined in July 2020. In September, the Auditor Apprentice was promoted to Internal Auditor. The team continues to be supplemented by a (reduced) contracted resource from PWC.

#### **Customer Satisfaction**

- 3.27 Management have provided feedback on individual audits which has been incorporated into the continuous improvement of the service where relevant.
- 3.28 A total of seven questionnaires were returned, a return rate of 22%. The questionnaires ask the auditees to provide feedback on areas including usefulness of the audit, quality of the report and usefulness of any recommendations made. 95% of responses were positive with either a satisfied or very satisfied opinion.

#### **Quality Assurance and Improvement Program**

- 3.29 The Public Sector Internal Audit Standards (PSIAS) state that an external assessment must be conducted at least once every five years by a qualified, independent assessor. This was carried out during 2018/19 and the result was reported to the Audit and Standards Advisory Committee.
- 3.30 The conclusion of the review was that the Brent Internal Audit Service conformed with the PSIAS. The outcome reflected a professional and successful Internal Audit service. The service commands a good level of respect and credibility across the Council and is seen as a key part in supporting and developing good governance within the Council. We will be arranging for a future peer review of the service via the London Audit Group.
- 3.31 An internal assessment is now due and this will be carried out during 2021/22 with the results to be reported to the Audit and Standards Advisory Committee.

**4. Diversity Implications**

None

**Report sign off:**

**DEBRA NORMAN**

Director of Legal, HR, Audit and Investigations