



# Brent

**Audit Committee**  
30 June 2016

**Report from the Chief  
Finance Officer**

For Information

Wards Affected:  
ALL

**Report Title: Internal Audit Annual Report – 2015/16**

## **1. Summary**

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

## **2. Recommendations**

- 2.1. The Audit 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 public sector internal audit standards or guidance. That guidance is set out within 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 and Investigations in the financial year 2015/16 and the results of that work. 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 staff, the Council's audit contractor and fraud investigation staff for the year ended 31 March 2016. This includes oversight of all internal audit reports, fraud investigations and specific projects across the Council, schools and Brent Housing Partnership (BHP). In my opinion, with the exception of those areas in which limited assurance reports have been issued (as set out below), the controls in place in those areas reviewed are adequate and effective. Where weaknesses have been identified within internal audit reports and investigations, these are being addressed by management. There has been a slight increase compared to the previous year in the number of limited assurance reports. The numbers remains high and is of some concern. 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 had oversight of the risk management process and conclude that the usual range of significant risks for a local authority have been identified.

## **Summary of Work Undertaken – Audit**

- 3.3. The 2015/16 Audit Plan was approved by the Audit Committee on 24 March 2015. The plan for 2015/16 had a total of 79 audits, including 14 school based reviews.
- 3.4 We have liaised with senior management throughout the year to ensure that internal audit work undertaken continues to focus on the high risk areas and, in the light of new and ongoing developments in the organisation, ensure the most appropriate use of resources. As a result of this, some changes were agreed to the plan during the year, with some audits added or deleted. The total number of projects completed in 2015/16 was 62, against a revised total plan of 66. The remaining plan could not be completed during 2015/16 due to resourcing pressures within the in-house team, however, these have been scheduled to be completed during 2016/17.
- 3.5 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.
- 3.6 For each audit where controls have been analysed, an assurance statement is issued. This simple grading mechanism provides an indication of the level of confidence in the controls in operation and the extent to which they are being applied. Each category is defined below:

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

- 3.7 There has been a slight deterioration in the balance between limited/nil and substantial assurance opinions across the Council, Schools and BHP as set out below. The number of limited reports remains high. This increase is, in part, due to an increase in the number of limited/nil audit opinions provided in schools audits, rather than the Council as a whole. Significant procurement and governance issues have been identified at a number of schools during this year's plan.

	Full	Substantial	Limited	Nil
2015/16	0%	63%	31%	6%
2014/15	3%	66%	28%	3%
2013/14	1%	56%	43%	0%
2012/13	2%	63%	32%	3%

- 3.7. The following table indicates the audits completed and relevant levels of assurance (where applicable) during the 2015-16 financial year:

<b><u>Audit</u></b>	<b>Assurance Opinion</b>
<b>Key Financials</b>	
General Ledger & Cash Management	Substantial
Payroll	Limited
Housing Benefits	Substantial
Budget Management	Substantial
<b>Other Council Systems</b>	
<b>Community &amp; Wellbeing</b>	
Quality Assurance Meeting	Substantial
Financial Assessments & Charging	Substantial
Houses in Multiple Occupation (HMO) and Private Sector Licensing	Substantial
Private Sector Procurement	Substantial
Private Sector Renewal & Disabled Facilities Grant	Substantial
Public Health – Contract Management	Substantial
<b>Children &amp; Young People</b>	
Safeguarding (LADO)	Substantial
Residential Placements	Limited
Special Education Needs	Substantial
Payments to Foster Carers	Limited
Home to School Transport	Limited
Direct Payments & Short Breaks	Substantial
<b>Regeneration &amp; Environmental Services</b>	
Willesden Green Cultural Centre	Substantial
Development & Planning Control & Enforcement	Substantial
Building Control	Substantial
START	Limited
Byron Court School Expansion – Phase 3 (Capital Project)	Substantial
South Kilburn Regeneration – Cambridge Wells and Eli Court	Limited

Regulatory Services (Trading Standards)	Substantial
Government Procurement Cards	Limited
Community Safety Strategy – Anti Social Behaviour	Substantial
Brent Transport Service	Limited
START	Limited
<b>Resources</b>	
Government Procurement Cards	Limited
Conflicts of Interest and Gifts and Hospitality	Substantial
Recruitment	Substantial
Registrars	Substantial
<b>IT Audits</b>	
Tribal System (Application audit)	Substantial
Perception System (Application audit)	Limited
Community Access Portal	Substantial
Mosaic (Application audit)	Substantial
<b>Schools</b>	
Brentfield Primary School	Limited
Chalkhill Primary School	Substantial
Salisbury Primary School	Limited
Leopold Primary School	Limited
Torah Temimah	Nil
John Keble	Limited
Wykeham Primary School	Substantial
Mitchell Brook Primary School	Limited
Mora Primary School	Substantial
Stonebridge Primary School	Limited
Ashley College	Substantial
<b>Brent Housing Partnership</b>	
Data Quality	Substantial
Housing Repairs & Maintenance	Substantial
Major Contracts - Communal Waters	Nil
Major Contract – Fire Servicing Maintenance & Responsive Repairs	Nil
Community Grant Fund	Substantial

Safeguarding Review	Non Assurance
V5 Housing System (IT)	Substantial

- 3.8. In addition to assurance work, the following projects were also completed. Although they contain no assurance rating the work has informed the overall opinion:

Audit	Opinion
Troubled Families Grant Claim Certification (May 2015)	Claim Certified
Troubled Families Grant Claim Certification (January 2016)	Claim Certified
Schools Summary Report & Head Teachers Pay Summary	Non Assurance
Disabled Facilities Grant Determination	Grant Certified
Potholes Grant Determination	Grant Certified
Procurement Review – Gym Equipment	Non Assurance
Barham Park Accounts	2014/15 Accounts signed off
Pre – ICO Audit	Non Assurance
Health & Safety	Non Assurance
BHP – Review Proposed Safeguarding Arrangements	Non Assurance

- 3.9 Included in the Appendix 1 to this report is a summary of priority 1 recommendations for the audits finalised since the last report to the Committee in March 2016 where an assurance opinion of limited has been given.

### 3.10 Follow up Reviews

Internal Audit complete a programme of follow up reviews to ensure that agreed management actions in respect of significant recommendations made have been implemented. The status of the Priority One recommendations raised during 2014/15 and 2015/16 is as outlined within the table below:

Number of P1 recommendations to follow up	78
Number of P1 recommendations due to be implemented by 31/05/2016	78
Number of P1 recommendations fully implemented	50
Number of P1 recommendations partially implemented	5
Number of P1 recommendations where the status has not been updated by management or evidence of	23

implementation has not been provided	
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For those P1 recommendations for which the implementation status has not been updated, this means that the Infostore system that is used to monitor the progress of recommendations has not been updated by the relevant action managers, or sufficient evidence of implementation provided. Action managers are regularly reminded of their responsibilities in this area by the audit team, but there are still 23 recommendations for which updates have not been provided. This has been escalated to senior management.

### 3.11 Internal Audit Performance

The performance against the agreed performance indicators is as follows:

Measure	31 March 2015	
	Target	Actual
% of draft reports issued 10 days after fieldwork.	95	90%
% of draft reports completed within budget	95	94%
% of final reports issued 5 days after responses.	100	100%
% of Plan Completion (draft reports issued)	100	93%

### **Summary of Work Undertaken – Fraud**

Fraud affecting the council can be split between internal, committed by staff, or external, committed by third parties. As with all other large institutions in both the public and private sector, the council suffers from both. The team has conducted both reactive and proactive work during the year as set out below.

The team also recovered 63 properties which had been sublet. Again, sub-letting fraud is has been identified as a national problem and this does not indicate any specific control weaknesses within the council.

A number of other cases of external fraud were identified, including false claims for council tax discount and blue badge misuse and direct payments.

In relation to internal fraud/irregularity there were 31 investigations completed during the year. Fraud or irregularity was established in 9 of these cases resulting in 3 dismissals at disciplinary, 5 resignations and 1 warning. These cases are summarised below:

<b>Fraud / Irregularity</b>	<b>Number</b>	<b>Dismissed</b>	<b>Resigned</b>	<b>Warning</b>	<b>No Sanction</b>
External Offences	1	0	1	0	0
Wilful Breach of Regulations/ Procedures	2	1	0	1	0
Conflict of Interest	1	0	0	1	0
Payroll Fraud	3	1	2	0	0
False Benefit Claim	1	0	1	0	0
Illegal Working	1	1	0	0	0

None of the above cases give cause to raise an adverse opinion on the control environment.

#### **4. Diversity Implications**

4.1. None

#### **5. Background Papers**

5.1. None

#### **6. Contact Officer Details**

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