Progress Report

Brent London Borough

Audit 2010/11

Audit Committee 22 September

audit
commission

Contents

Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.

Summary

Introduction

1   The purpose of this progress report is to brief the Audit Committee on work currently being planned or undertaken by the Audit Commission.

Audit Progress

2   We have finalised our interim report and agreed an action plan with officers. The completed action plan is attached as an appendix.

3   My 2010/11 audit of the Council's main financial statements is underway but has been affected by significant delays. We recongnise this has been a particularly difficult year for the Council, implementing new financial systems and International Financial Reporting Standards (IFRS) whilst also dealing with structural change, staff losses, and a highly challenging budget settlement.   The details are reported in my interim Annual Governance Report which is included on the agenda. I will therefore not be in a position to issue my audit opinion by the due date of 30 September 2011.

4   I have discussed the position with the Director of Finance and agreed a revised timetable for the completion of the audit work. With the support of the Council's finance team to resolve the issues arising I aim to complete the bulk of the audit work by the end of September. I expect to be able to clear any final audit issues and review the Council's revised accounts in October. I am therefore aiming to issue my audit opinion by the end of October, subject to arranging an Audit Committee.

5   In order to comply with the Audit and Accounts Regulations 2011, the Council must publish its unaudited accounts by 30 September, including on its website, at the same date and clearly mark the statements as 'unaudited'.

6   My audit of the Council's pension fund is virtually complete however, I am unable to issue my audit opinion on the pension fund until my audit of the Council's main statements is complete.

7   The 2010/11 Annual Governance Reports are included on the Agenda for the Audit Committee's consideration. The reports were agreed with the Director of Finance and Corporate Resources and officers have agreed to complete the action plan. This summarises our progress on the audits of the financial statements.

8   I have finalised my performance review detailed in our Audit plan. We carried out a follow up review of the Council's One Council project. Our key findings are:

- good progress has been made on the project;

- with effective governance arrangements in place;

- risks exist in regards to:

  – capacity;

–   accurate monitoring of financial benefits;

–   transparency of revisions to financial projections; and

–   introducing a systematic way to capture non-financial benefits at project level.

9   This report is attached as an appendix to the progress report.

10   In line with my statutory duties, I am considering the following matters which have come to my attention during the course of my audit:

- issues relating to the Council's arrangements over blue badge enforcement and anti fraud arrangements raised by an elector;

- issues regarding governance at a school raised by an elector; and

- implications arising from the review of school leases, and the legality of contracts.

My reviews are focussing on the Council's anti fraud arrangements covering blue badge usage, governance and audit arrangements relating to the school and the size and nature of the expenditure in relation to school leases and consideration of any actions taken by the Council.

Audit Fees

11   I have highlighted in my Annual Governance Report that the audit of the Council's main financial statements is taking longer than expected. I therefore expect to charge an additional audit fee for the additional work done.

12   As set out in the Audit Commission's Statement of responsibilities of auditors and audited bodies, fees arising from the consideration of matters under auditors' specific powers, including the appointment of legal or other advisors to auditors, are borne by the Council.

13   Additional fees will be discussed and agreed with the Director of Finance and Corporate Resources.   Any additional fee will be reported to the Audit Committee once agreed.

Audit externalisation

14   DCLG confirmed that its preferred choice for externalising our in-house audit work is through an outsourcing arrangement. The Commission's Board formally considered the request at its meeting in August 2011, and agreed to undertake a procurement exercise to outsource local audits with effect from the 2012/13 audit year.

15   The Audit Commission has made available the key milestones for the procurement, as set out in the table below. This is intended as a guide and while the Commission does not intend to depart from the timetable it reserves the right to do so at any stage.

Key milestone	Principal bodies'	Small bodies'

Summary

	procurement	procurement
Issue Contract Notices in the Official Journal of the European Union	5 September 2011	5 September 2011
Issue pre-qualification questionnaires (PQQ) on request	From 5 September 2011	From 5 September 2011
Deadline for return of PQQs	7 October 2011	7 October 2011
Issue invitations to tender and anonymised TUPE information to selected suppliers	w/c 24 October 2011	w/c 7 November 2011
Deadline for submission of tenders	16 December 2011	6 January 2012
Approval of contract awards	w/c 20 February 2012	w/c 19 March 2012
Consultation with audited bodies on appointments	23 April - 13 July 2012	7 May - 6 July 2012
Approval of auditor appointments	w/c 23 July 2012	w/c 9 July 2012
Appointments for 2012/13 commence	1 September 2012	1 September 2012
Staff transfer to firms awarded contracts	31 October 2012	31 October 2012

Recent Audit Commission announcements and publications

16 The Audit Commission produces a regular Councillors' Update. This e-mailed newsletter aims to keep councillors up to date with the Commission's current work, such as national reports and studies. News stories containing details of specific tools and case studies will direct councillors to information that they can use in their work. If you have not automatically received your copy of Councillors' Update, please subscribe via the following link: Councillor Update newsletter - Audit Commission

Quality review programme

17 The Commission reviews the quality of work of all our audit suppliers. In doing so, we place reliance on the work of the independent Audit Inspection Unit. We also review and use the results of audit suppliers' internal quality monitoring programmes, and we monitor their compliance with our regulatory requirements.

18 The results of these reviews of 2009/10 audits are summarised in the Quality Review Programme: Annual Report 2011.

19 The objectives of this report are to:

- provide assurance the Commission's audit suppliers have put in place systems and processes to deliver audit work of an appropriate quality; and

- provide information to help us make audit appointments.

20 The report concludes all audit suppliers are meeting the:

- Commission's regulatory requirements and standards of performance; and

- professional auditing standards requirements

Improving value for money in adult social care

21 Improving value for money in adult social care' is the first in a series of briefings that will look at value for money in health and social care.

22 This briefing finds that, as demographic change and financial pressures combine to create tough times for adult social care, councils have looked at many aspects of the service in order to provide better, more efficient services.

23 Better procurement, improved back office arrangements, and a preference for community-based rather than residential care where possible, are just some of the changes that local authorities have implemented to help them meet the challenges they face.

24 But the briefing also finds that the pace and scale of change need to increase if councils want to release material savings, as well as improve care for people.

Appendix 1 – Key Deliverables 2010/11

Table 1   Progress on Key Deliverables for 2010/11

Product	Timing	Current position
Planning		
Audit Plan	January 2010-March 2010	Plan presented to Audit Committee in June 2010
Opinion		
Work on financial systems	December 2010 – June 2011	Work completed. Findings reported to Audit Committee in June 2011, including financial systems work, early substantive testing and IFRS
Financial statements; • opinion; • Annual Governance Report; and • opinion memorandum	July - September 2011	Draft and final annual governance reports for the Council and Pension Fund presented to September audit committee
Value for Money		
Project management review		Follow up review of One Council completed
Value for money conclusion	**June 2011 to September 2011**	Draft conclusion presented to Audit Committee, subject to finalising our opinion audit
Reporting		
Annual Audit and Inspection Letter	December 2011	

Appendix 1 Action Plan

Recommendations

Recommendation 1

Establish procedures and reviews to ensure that journals are:
- properly filed;
- supported by appropriate documentary evidence; and
- approved by an appropriate officer.

Responsibility	Deputy Director of Finance
Priority	High
Date	September 2011
Comments	A revised journal template has been developed to meet these requirements. Each month a sample of journals will be selected for review to ensure compliance.

Recommendation 2

Ensure payment runs and BACS payments are:
- appropriately authorised in line with the Council's procedures;
- approval is evidenced.

Responsibility	Team Leader (Accounts Payable)
Priority	Medium
Date	N/a
Comments	The payments are authorised in line with Council procedures and evidence of approval is being retained.

Recommendation 3

Ensure that procedures relating to the accounts payable and accounts receivable system operate throughout the year, in particular:
- regular and timely reconciliation of control accounts; and
- full use of the purchase order function.

Responsibility	Head of Financial Management
Priority	High
Date	September 2011
Comments	Control account reconciliations will be undertaken monthly. Purchase orders have to be in place to enable payment of invoices

- retrospective use of purchase orders will be highlighted to senior management across the Council.

Recommendation 4

Ensure a three-way reconciliation between the bank account, cash receipting and the main financial systems are formally completed and reviewed as part of the Council's monthly accounting close down arrangements.

Responsibility	Head of Financial Management
Priority	High
Date	September 2011
Comments	Full system reconciliations will be undertaken and incorporated into the month end procedures along with control accounts as per R3.

Recommendation 5

The Council should:

- formalise current IT problem and incident management processes into a documented policy;

Responsibility	Problem Manager; and Incident Manager
Priority	Medium
Date	September 2011
Comments	The restructure of the Information Technology Unit has created an Incident Manager post and a Problem Manager post. We have successfully recruited to both these posts. The Problem Manager will have an initial draft of the Problem Management process and procedures by September 2nd 2011. The Incident Manager will have an initial draft of the Incident Management process and procedures by September 2nd 2011. There are already documented processes for Security Incident Management.

- establish a formal IT disaster recovery and business continuity plan; and

Responsibility	Head of IT Service Delivery
Priority	Medium
Date	October 2011
Comments	Whilst the development of a full council DR/Business Continuity Plan is desirable, this is unlikely to be a feasible deliverable from an ITU project. In essence, this would require a very detailed (and time/resource consuming) programme of consultation with all stakeholders in the business to accurately determine their business requirements for DR/BCP. This approach would be unlikely to yield any meaningful results within the foreseeable future, and certainly would be unlikely to enable the production of a detailed plan before

the move to the Civic Centre.

What was agreed instead was to focus on areas within the control of ITU, and to concentrate on reviewing all the technologies supported by ITU (and used by the council).

The intention is to provide an accurate statement of the position of each technology/application with regard to its current state of resilience and DR protection. Also to ensure that all relevant details are documented, and to provide a mechanism for monitoring testing of individual service resilience, and planning for future tests. All the above information is to be stored in an easily accessible manner with additional copies to be available off-site to prevent the availability of the DR plan from being adversely affected in the event of a disaster.

An internal Project Manager will be assigned to this project by the ITU Programme Manager.

Key Events

- Creation of basic Sharepoint Portal and Outline structure in place by 5th August 2011
- Definition of services which can be failed over by 2nd September 2011
- Definition of services which cannot be failed over by 2nd September 2011
- Detailed definition of how individual services will fail over by 30th September 2011
- Overall review of detailed DR plan: October 2011
- Individual technology failover testing: November 2011 – March 2012
- Full site failover testing: July/August 2012
- Move of Town Hall Datacentre to new Civic Centre: December 2012

- establish a regular programme of testing the restoring of IT back-ups for Oracle Financials and Interact.

Responsibility	Business Partnership Manager; and
	Head of Applications
Priority	Medium
Date	July 2011
Comments	There have been problems with the Oracle backup, however these have now been resolved and it is planned to carry out a test restore of Oracle Financials by the 29th of July 2011. Test restores will be scheduled in thereafter every 4 months.

The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.