



**Internal Audit  
Progress Report 2011/12  
London Borough of Brent  
September 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, together with an update on any 2010/11 reports outstanding at the time of the last meeting.</p> <p>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 identifies reports at draft stage and where audit fieldwork is currently in progress.</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 August, a total of 370 days have been delivered against the overall Plan, made up of 280 Deloitte PSIA days and 90 in-house days. This represents 31% of the Plan.</p> <p>The majority of audits profiled to start in the first quarter have progressed as planned. Audit days are not planned to be delivered in an even twelve month split. There is a requirement for major 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 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>
<b>Summary of Work Undertaken</b>	<p>A number of systems audits have been completed and are in progress across the Council. In addition, as part of the focus on key developments, work has been undertaken in relation to the new Project Management Framework being developed and implemented by Regeneration and Major Projects. This 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. The purpose of the work was to assist management to determine any revisions potentially needed at this stage, as opposed to</p>

waiting until the Framework has been fully embedded.

Computer audit work is also progressing and has included Programme and Project Management Effectiveness; Resilience of Exchange/Outlook and E-mail archiving; Framework-i application; Software Licensing; and risk and control input to the project meetings for the Council wide VDI Project.

The final key area of work is in relation to schools, which forms a significant part of annual coverage. 16 primary schools have been included in the 2011/12 plan. The majority of these have been visited before the summer holiday and audit is currently waiting for further information and documents to conclude the work. In addition, where reports for Secondary schools audited in 2010/11 were still in draft at the time of the last meeting, these have now been finalised. However, it should be noted that a number of schools failed to respond to draft reports and, therefore, management responses cannot be included.






As was the case in 2010/11, key areas of weakness identified across several of the schools audited in 2011/12 relate to compliance with the Financial Regulations for Schools concerning high value procurement and leasing arrangements. In addition, issues have been identified in respect of the salary levels of Headteachers' and other members of the Leadership Teams in relation to non-compliance with the national School Teachers Pay and Conditions Document 2010 (STPCD).

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 will be available to schools to operate from the Autumn term 2011. Maintained schools will be required to conduct an assessment against SFVS once a year.




In addition to the assurance work summarised above, work has also been completed in respect of the Council's arrangements regarding the CRC Energy Efficiency Scheme. The details of this work are set out under Non Assurance Work within this report.

**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>	-	100% (3)	XX	-

**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>	-	-	-

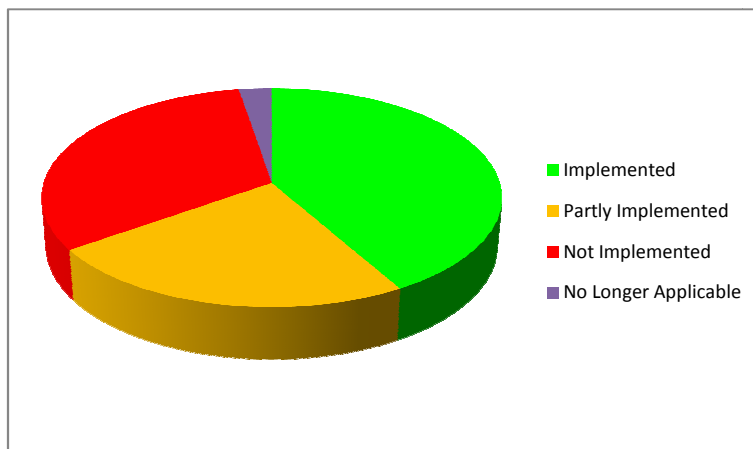
**N.B.** The figures for 2010/11 have been updated since the previous meeting to take account of the additional reports that have since been finalised.

Overall, for the work finalised for 2011/12 to date, there has been a positive movement in the spread of assurance opinions. However, this is based on a limited number of reports and hence will need to be monitored as the year progresses.

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 the 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. 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 37. In total, 65% of the recommendations were found to have either been implemented or partly implemented, with 32% having not been progressed, i.e. no actions had yet been taken to implement the previously agreed recommendations. Of the priority 1 recommendations, 47% had either been implemented or partly implemented, with no actions taken for the remaining 53%. As such, this represents a decline in comparison to previous periods.

Management in a number of areas are suggesting that resource issues are inhibiting their ability to implement recommendations, Although, this may be a limiting factor in certain areas, 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. The Committee's attention is drawn to the final reports for Children's Centres Financial Management, as summarised on page 13; Parking on page 18; and Establishments (Thematic Work) on page 31. In each of these areas, management suggested that resourcing issues had impacted on the implementation of recommendations. It should be noted that these claims have not been validated by

audit.

As seen on page 36, the decline in the rate of implementation is also impacted by the key financial systems. These are discussed in further detail on pages 21-28. With regard to these audits, it should be noted that management had made good progress against the recommendations raised as part of the preliminary work at the end of 2009/10 and also that they were continuing to address any new weaknesses that were emerging as part of embedding the system and new ways of working. Given the scale of the changes being made in these areas, whilst the importance of addressing the weaknesses should not be understated, it is understandable that some actions were outstanding.

In all cases, if recommendations are found not to have been implemented, further actions are raised as being necessary. Management are required to assign a new deadline and responsible officer to each of these. These will continue to be followed up until they are assessed as having been fully implemented.

**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	4.1

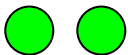



One completed satisfaction questionnaire has been received so far during the year in relation to the work undertaken by Deloitte PSIA. This, together with the in-house monitoring of progress and the review of work completed, is a key way in which the performance of Deloitte PSIA is monitored.

## Detailed summary of work undertaken

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

### Assurance Opinions




Four categories are used to classify internal audit assurance over the processes examined. These are defined 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 in using internal audit reports, audit categorise recommendations 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 ASSURANCE REPORTS

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




At the time of the previous meeting, a number of 2010/11 reports had yet to be finalised. Where this has now occurred these are included below. However, as set out on page 34, there are still a small number of 2010/11 reports at Draft stage, where management responses have not been provided.

### 2010/11 Audits (finalised since the June 2011 meeting)

Audit	Status as at 31 August 2011	Assurance Opinion and Direction of Travel
Early Years Single Funding Formula (2010/11)	Final Report	
CRC Energy Efficiency Scheme (2010/11)	Final Report	
Temporary Accommodation (2010/11)	Final Report	
Direct Payments (2010/11)	Final Report	
Pension Administration (2010/11)	Final Report	
Housing & Council Tax Benefits (2011/11)	Final Report	

Audit	Status as at 31 August 2011	Assurance Opinion and Direction of Travel
Licensing (2010/11)	Final Report	
AntiVirus, Spyware & Malware (IT) (2010/11)	Final Report	
<b>BHP</b>		
Rent Arrears Management (2010/11)	Final Report Reported separately to the BHP Audit & Finance Sub-Committee.	
Internal Financial Controls (2010/11)	Final Report Reported separately to the BHP Audit & Finance Sub-Committee.	

### 2011/12 Audits

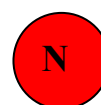
Audit	Status as at 31 August 2011	Assurance Opinion and Direction of Travel
Members' Allowances and Expenses (2011/12)	Final Report	
<b>SCHOOLS</b>		
St Mary's Catholic Primary School (2011/12)	Final Report	
Uxendon Manor Primary School (2011/12)	Final Report	

## LIMITED/NIL ASSURANCE REPORTS – General Audits

For all Limited/Nil Assurance reports, a brief rationale for the assurance level 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.

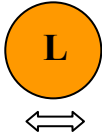
As for the Substantial Assurance reports, at the time of the previous meeting, a number of 2010/11 reports had yet to be finalised. These are now included below. There are no 2011/12 audits to report in this section at the current time.

### 2010/11 Audits (finalised since the June 2011 meeting)

<b>Use of Special Educational Needs (SEN) Funding in Children's Centres (2010/11)</b>	<p>The key weaknesses related to: the allocation method for funding; communicating and understanding the terms and conditions attached to SEN funding; accounting for the use of the funding; and monitoring the use of the funding and achievement of objectives.</p> <p>Given the level and nature of the weaknesses identified, rather than raising specific recommendations in respect of each weakness, two high-level, priority 1, overarching recommendations were raised regarding the need for management to review the overall framework in which the Early Years SEN funding is administered.</p>	
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Priority 1 Recommendations	Management Response / Deadline for Implementation
<p>The review of the allocation method for Early Years SEN Funding should be completed and that the revised allocation method is applied as soon as practically possible.</p> <p>As part of the review, management should consider linking the funding with objectives and expected outcomes.</p>	<p>Agreed.</p> <p>This funding is provided from the Direct Schools grant for the purpose of funding places for children 0-5 assessed by the Children with Disabilities panel as needing a nursery place. The process has now been reviewed and clarified. Staff are aware of the purpose of funding. Because the funding is DSG, the process is awaiting agreement from the Early Years Funding Sub-Group and the Schools Forum.</p> <p><b>December 2011</b></p>
<p>Management should review the current arrangements in respect</p>	<p>Agreed.</p>

Priority 1 Recommendations	Management Response / Deadline for Implementation
<p>of managing Early Years SEN funding.</p> <p>As part of the review management should ensure the following:</p> <ul style="list-style-type: none"> <li>• Children's Centres are made aware of terms and conditions of the funding, including the intended purpose of the funding and guidance on how the funding should be used;</li> <li>• Both Children's Centres and the Early Years Team should agree to the conditions attached to the funding, including any reporting requirement and a protocol relating to potential withdrawal of funding in the event of major non compliance; and</li> <li>• Processes are put in place to monitor the use of the funding. This may include achievement against agreed criteria.</li> </ul>	<p>Children's Centre staff have been made aware of terms and conditions of the funding and guidance on how the funding shall be used has clearly been laid out. Processes have been put in place to monitor the use of the funding which will also prevent non-compliance. These are currently being embedded.</p> <p><b>October 2011</b></p>

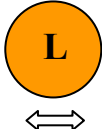
<b>Children's Centres Financial Management</b> (2010/11)	<p>Six priority 1 recommendations were raised as a result of this audit and the follow-up of the 2009/10 recommendations. The key areas for which priority 1 recommendations were raised relate to: cash handling procedures and administration of income; debt recovery; purchasing procedures; apportioning shared resources and determining the costs of running nursery operations; financial discussion and consideration by LMB/Committees; and supplementary payments.</p> <p>The Direction of Travel provides a comparison with any prior audit visit. In this case the arrow indicates that the assurance level has remained the same since the last audit and no movement is considered to have occurred within this.</p> <p>It should be noted that eight recommendations were raised during the 2009/10 audit. Of the eight recommendations, one was judged to have been implemented and one partly implemented, but no progress had been made against the remaining six. Audit were informed that this was due to other priorities in respect of the One Council Project and resource constraints arising from the recent restructure. Included below are the current priority 1 recommendations, relating to both audits.</p>	
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Priority 1 Recommendations	Management Response / Deadline for Implementation
<p>Management review the cash handling procedures and income administration across Children's Centres. As part of the review, management should determine the key procedures that the Centres are expected to follow. As a minimum, but not necessarily be limited to, Children's Centres should be expected to:</p> <ul style="list-style-type: none"> <li>• Record all income at source;</li> <li>• Count money against recorded income (this should be performed by an independent officer);</li> <li>• Bank the money on a regular basis; and</li> <li>• Have a robust debt recovery process operated by a staff member who is independent from collecting money.</li> </ul> <p><b><i>This relates to a previously non-implemented recommendation.</i></b></p>	<p>Agreed.</p> <p>Started banking income on a weekly basis for Treetops. Financial system needs improvement at Treetops. Was kept on hold due to restructuring. New system being implemented July/August. Also, FT Financial Officer to be appointed and work across the 3 Children's Centre nurseries.</p> <p><b>September 2011</b></p>
<p>A debt management policy and procedures should be developed and</p>	<p>Agreed.</p>

Priority 1 Recommendations	Management Response / Deadline for Implementation
<p>communicated to all Children's Centres.</p> <p>In addition, Centre Managers should review the structure of records maintained by the Centre so as to ensure that the information relating to the age of debts can be collated to support any decisions being made.</p>	<p>There's a meeting scheduled for 29/6/11 with Neena-Business Analyst and Carli Weston- Exchequer services Officer ( Debt Collection) to discuss nursery income process after which it is anticipated that invoices will be raised by the Children Centres and the Debt managed by the Exchequer services – Debt Collection.</p> <p><b>September 2011</b></p>
<p>Management should clarify purchasing procedures with Centre Managers. In particular, they should be reminded of the need to:</p> <ul style="list-style-type: none"> <li>• Raise purchase orders in advance of purchases wherever possible;</li> <li>• Follow the relevant purchasing procedures in respect of obtaining quotes, tender or a waiver; and</li> <li>• Retain delivery notes and evidence goods receipting.</li> <li>• In addition, it is also recommended that an analysis should be undertaken to identify any opportunities for consolidating and negotiating orders across a number of Centres.</li> </ul> <p><b><i>This relates to a previously non-implemented recommendation.</i></b></p>	<p>Agreed.</p> <p>All relevant staff and managers have now received basic training on Oracle and the PO process is being followed. Additionally, schedule of training needs are being compiled for the Oracle Team so targeted training can be delivered. All PSLMs have been informed that all orders must be raised in advance in Oracle.</p> <p>Oracle service limits have been reviewed in line with the restructure using CL Codes and to minimise risks, different levels of authority/scheme of delegation have been put in place.</p> <p><b>September 2011</b></p>
<p>Guidance notes should be provided to all Children's Centres in respect of apportionment of shared resources.</p> <p>It is also recommended that a separate cost centre should be set up to separate the costs relating to nursery activities from the Children's Centres core activities.</p> <p>In addition, performance of nursery operations should be monitored against the business model and the model should be reviewed periodically in line with actual performance and the current economic climate.</p> <p><b><i>This relates to a previously non-implemented recommendation.</i></b></p>	<p>Agreed.</p> <p>New codes have now been set up for all Centres and the Nurseries have been allocated separate codes. Charges are to be apportioned accordingly. It should however be noted that Children's Centre nurseries do not get allocation of funding. They have to be self-sufficient and only spend their generated income. However, the maintained nursery/Children's Centre (Fawood, Curzon, Granville) receive a Children's Centre budget allocation of funding and are required to submit quarterly returns to show how their allocation has been spent. This is part of their report back to schools finance via an additional</p>

Priority 1 Recommendations	Management Response / Deadline for Implementation
	column (4) dedicated to Children's Centre spend. <b>September 2011</b>
<p>Management should review the financial discussion and reporting process within Children's Centres LMB (or Governing Bodies if the Centre is in a school setting).</p> <p>As part of this, management should also review the current governance arrangements in Children's Centres to determine whether the LMB have appropriately delegated the responsibility for financial matters or whether the Board has the capacity and required skills/knowledge to assume such responsibility without delegation.</p> <p>In addition, it should be ensured that budget reports should be issued to all Centre Managers to facilitate an effective budget monitoring process.</p> <p><b><i>This relates to a previously non-implemented recommendation.</i></b></p>	<p>Agreed.</p> <p>From April 1st 2011, a new governance system for Children's Centre has been implemented. The Maintained Nursery/Children's Centres remain governed by the school governing body. All other Children's Centres fall under the guidance of a Locality Advisory Board. They advise and support on budget monitoring/allocation but the responsibility and budget holding remains clearly with Local Authority Officers – e.g Network Managers and Preventative Services Locality Managers. Everyone has received training and is aware of their roles and responsibilities. Effective monthly monitoring is in place and by October 2011 all staff will have embedded the principles of good financial management.</p> <p><b>October 2011</b></p>
<p>Management should review the arrangements concerning the supplementary payments made to school staff members, determining whether the support given is in addition to their normal working hours at the school, or whether the time input to the Centres is at the detriment of the time required to be input to the schools.</p> <p>In addition, management should consider introducing a requirement for schools in receipt of such monies to have to report back to the Council on the details of any supplementary payments made, including the benefits realised from these by the Centres and confirmation that there have not been any associated costs incurred by the schools through lost time input by recipient members of staff.</p> <p><b><i>This relates to a previously non-implemented recommendation.</i></b></p>	<p>Agreed.</p> <p>No more uplifts given to schools. Budget now allocated only for utilities, cleaning and caretaking where this is appropriate. SLA's will be in place by Oct 2011.</p> <p><b>Implemented April 2011</b></p>

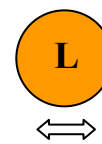


Priority 1 Recommendations		Management Response / Deadline for Implementation
<b>Reablement</b> (2010/11)	<p>Work was previously undertaken in 2009/10, informally assessing the adequacy of the controls being planned / implemented at that time as part of the Council's preparations for the Reablement team. This report highlighted some weaknesses in the adequacy of planned controls and raised recommendations in the form of an action plan to help management address these. This was followed-up on the implementation of those recommendations, as well as more fully assessing both the adequacy and effectiveness of the controls that are now in place.</p> <p>Six priority 1 recommendations were raised as a result of this audit. The key areas relate to: procedures being formally defined; liaising with OSS and Access &amp; Assessment Teams; for issues relating to capability to be escalated; for a Pan London or alternative solution in respect of the secure transfer of data to contractors.</p> <p>The Direction of Travel provides a comparison with any prior audit visit. Given that an assurance opinion was not provided in the 2009/10 work, no Direction of Travel has been indicated. However, please note that there has been positive movement since the previous audit in that of the 15 recommendations previously raised, three had been fully implemented and six partly implemented.</p>	

Priority 1 Recommendations	Management Response / Deadline for Implementation
<p>Procedures should be formally defined and implemented in relation to the review of the Contact Assessment Forms where the OSS officers have assessed individuals as having 'Moderate' or 'Low' needs.</p> <p>Management should determine whether the review should take place in all cases, or whether this is to be undertaken on a sample basis. If it is the later, management should formally agree the sample size and sampling method so as to ensure that this provides them with an adequate level of assurance over the process.</p> <p>Any issues arising from the review should be monitored and fed back into the training provided to OSS officers on an on-going basis.</p> <p><b><i>This relates to a previous partly implemented recommendation.</i></b></p>	<p>Since March 2011, a Senior Practitioner has been located in the OSS, supporting the OSS officers with ongoing development and individual case consultations. They are responsible for the quality of the assessments and ensuring that FACS criteria are applied equitably and transparently. They report to the Reablement Team Manager. The processes were revised and clearly defined as part of the Customer Journey, which was implemented in April 2011.</p> <p><b>Implemented</b></p>
<p>Management should liaise with both the OSS officers and the Access &amp;</p>	<p>A focused training programme relating to the</p>

Priority 1 Recommendations	Management Response / Deadline for Implementation
<p>Assessment Team to determine further training needs of the staff involved in the reablement process.</p> <p>In light of the Customer Journey Project, management should consider undertaking a lessons learnt exercise relating to the training and performance of staff. The purpose should be to assess the extent to which training has helped provide the necessary skills for staff involved in the reablement process.</p> <p>The results of any such analysis should be documented, highlighting any areas of improvement or development, as well as acknowledging areas that worked well. The results should then be shared with the relevant staff involved in development of any training programmes.</p> <p>In addition, management should also identify the training needs of social workers who will become responsible for the development of Care Plans following the completion of the Customer Journey Project. Training plans should be defined and they should also be evaluated once the training has been delivered.</p>	<p>Customer Journey was delivered as part of the implementation of the customer Journey. Specifically, all OSS staff have been trained and individual needs assessments have been carried out through their regular supervision. This has been feedback to Senior Management through the Senior Practitioner who sits on the Reablement Implementation Group (RIG). One of the issues that was raised through this feedback loop (as part of the preparation for the 6 month review and at the end of the current Senior Practitioner's secondment) was the need for a clear statement about the current strengths and needs of all OSS ASC staff. This is being done through a self assessment, which will be matched to the Senior Practitioner's opinions and aggregated for the RIG to confirm how future training and development needs will be addressed.</p> <p><b>October 2011</b></p>
<p>The issues affecting the reporting capability should be escalated so that they can be resolved and monitoring reports made available to generate the required performance information.</p> <p>Management should also confirm and communicate the following to all relevant staff:</p> <ul style="list-style-type: none"> <li>• The target timeframe that should be used for the referrals and the production of Care Plans, whether that be the National target of 28 days or the previously suggested local target of 48 hours; and</li> <li>• The targets for the performance indicators defined for the four main elements of the reablement services including: assessments; packages; service outcomes; and costs &amp; benefits.</li> </ul> <p>In addition, the monitoring spreadsheets should be completed regularly to</p>	<p>A new performance management framework has been implemented as part of the Customer Journey. Targets for all parts of the Reablement service have been set (e.g. 80% of all community contacts should go to Reablement, 60% of all Reablement cases should be fully independent after a period of Reablement, and all staff in the Reablement team should receive 6 new allocations a week).</p> <p><b>October 2011</b></p>

Priority 1 Recommendations	Management Response / Deadline for Implementation
<p>facilitate effective performance monitoring.</p> <p><b><i>This relates to a previous partly implemented recommendation.</i></b></p>	
<p>Management should ensure that the Pan London solution, or a suitable alternative, is implemented in respect of a more secure method of transmitting data to contractors.</p> <p><b><i>This relates to a previously non-implemented recommendation.</i></b></p>	<p>This is being addressed as part of a wider workstream looking at data transmission with Health. Juan Murray is leading on this from an IT perspective and Phil Porter is leading on it from a service perspective.</p> <p><b>January 2012</b></p>
<p>Management should ensure that the contractual agreements for the outstanding five care providers are put into place. The agreements should contain reference to reablement as well as the incentives/penalties as defined in the service specification and should also set out the required frequency of meeting to help manage the performance of the contractors.</p> <p><b><i>This relates to a previous partly implemented recommendation.</i></b></p>	<p>All providers now deliver Reablement through the West London Alliance framework.</p> <p><b>July 2011</b></p>
<p>The financial performance of reablement should be monitored on a regular basis. This should include but not necessarily be limited to:</p> <ul style="list-style-type: none"> <li>• Actual spend to date;</li> <li>• Forecasting to the year end;</li> <li>• Forecast of year end variance against the budget; and</li> <li>• Savings made/projected.</li> </ul>	<p>Reablement financial performance is monitored on a monthly basis. A comprehensive action plan has been put in place to ensure that all elements of the service are delivering value for money (e.g. existing cases suitable for Reablement are passed to the Reablement Team, monthly monitoring of providers ensures we focus provision on the most cost effective providers etc). The financial update is provided as part of a monthly report on the budget and efficiencies plan at ASC departmental management team.</p> <p><b>Ongoing (monthly)</b></p>

<b>Parking</b> (2010/11)	<p>It should be noted that the weaknesses identified are significant given the high level of income generated from Parking operation and the fees paid to the contractor.</p> <p>Six priority 1 recommendations were raised as a result of this audit. The key weaknesses identified relate to assurances over the completeness and accuracy of information provided by the Contractor, suspensions, KPIs, receipt of income and certification and payment of invoices. Other issues have also been identified for which four priority 2 and one priority 3 recommendation has been raised.</p> <p>The scope of the 2010/11 work differs to that covered in previous years, and consequently a direction of travel has not been provided. However, it should be noted that the findings indicate that the parking control environment has deteriorated since the last visit.</p>	
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Priority 1 Recommendations	Management Response / Deadline for Implementation
<p>Management should determine the level of assurance required in relation to the accuracy and completeness of information supplied by the Contractor.</p>	<p>Agreed.</p> <ul style="list-style-type: none"> <li>• Till return - reconciliation to be commenced by Brent client Parking Monitoring Officers, subject to vacant posts being filled.</li> <li>• Bay suspension - reconciliation to be commenced by Brent client Parking Monitoring Officers, subject to vacant posts being filled.</li> <li>• IT infrastructure – being re-specified for upgrade as part of contract retendering in June 2012. No business justification for doing so beforehand.</li> </ul> <p><b>July 2012</b></p>
<p>Management should define and agree arrangements in respect of suspensions with the Contractor. Furthermore, suspension records should be reconciled to Contractor invoices prior to certification for payment.</p>	<p>Agreed. The processes will be implemented in the Autumn and fees will be reviewed as part of the routine corporate fees and charges cycle.</p> <p><b>31 March 2012</b></p>
<p>Management should determine the KPIs and associated targets required in relation to the Contractor's performance. Once determined,</p>	<p>New KPIs are currently being renegotiated with the contractor. PCN cancellations will be included as a KPI.</p>

Priority 1 Recommendations	Management Response / Deadline for Implementation
<p>the Contractor should be requested to provide KPI information on a periodic basis.</p> <p>KPIs should be spot checked for accuracy and where poor performance is identified, action plans should be produced and monitored to assist in improving performance.</p>	<p>More robust performance monitoring and resultant targeted performance improvement actions are planned. Whilst work on this is already underway, a step change in the management and improvement of performance will follow appointment of the vacant post of Senior Contracts Manager.</p> <p><b>31 December 2011</b></p>
<p>Management should reinstate the following controls in relation to income received:</p> <ul style="list-style-type: none"> <li>• Income banked by the Contractor should be reconciled to reported income received by the Contractor.</li> <li>• Expected income from pay and display machine audit tickets should be reconciled to income received from the Contractor.</li> <li>• Expected income from details of PCNs and permits logged on the ICPS system, and from records of suspension, scratch cards issued, etc., should be reconciled to income received from the Contractor.</li> </ul> <p>In addition, bounced cheques, chargeback's, and cancelled payments should be identified from the Parking Services bank statement. This information should be recorded and reported to the Contractor to amend any payments recorded on the ICPS system and to initiate the debt recovery process.</p>	<p>Agreed.</p> <p>Despite being the Council's second largest source of non-government income, the parking service only has two contract monitoring staff and no finance staff. Furthermore, the time available for monitoring and reconciliations is reduced because about a third of the time of the monitoring officers is spent on the operational issue of maintaining pay and display machines.</p> <p>The new Head of Service shares the auditor's concerns about the need to improve contract monitoring to maximise income, assess contractor probity and raise parking compliance rates. This may well need additional resources. However, before a business case to do so is investigated, it is intended that we first seek to:</p> <ul style="list-style-type: none"> <li>• extend the focus and extent of monitoring with existing resources by developing a risk-based monitoring programme;</li> <li>• contract out level 2 pay and display maintenance tasks in the new parking contract which will be issued from June 2012;</li> <li>• consider the option of parking receipts being received directly by the Council under the new contract, thereby minimising the need for reconciliation; and</li> <li>• consider the option of implementing a real-time management information system of the Council's</li> </ul>

Priority 1 Recommendations	Management Response / Deadline for Implementation
	<p>choosing at the time of the new contract, to automate more of the currently manual reconciliation processes. Depending on the outcome of work to improve the extent of monitoring from existing resources, consideration will later be given to developing a business case for additional monitoring staff.</p> <p><b>July 2012</b></p>
<p>Monthly Contractor invoices should be certified for accuracy and completeness prior to their certification for payment. Furthermore, rates charged by the Contractor should be verified using the Contractual Pricing Document.</p>	<p>Agreed.</p> <p>See management response relating to reconciliation and monitoring staff deployment in 4. Above.</p> <p><b>July 2012</b></p>

## Key Financial Systems

Following earlier adequacy based work around the new systems of control being planned and implemented in respect of the Finance Modernisation Project, full systems audits were undertaken at the end of 2010/11. In addition to the individual reports, which are summarised over the following pages, an overarching summary report was also issued for management (see below).

### **Key Financial Systems – Overarching Recommendations** (2010/11)

Although each key financial audit was given a Limited assurance opinion, it was positive to note that management had made good progress against the recommendations raised as part of the preliminary work at the end of 2009/10, and also that they were continuing to address any new weaknesses that emerge as part of embedding the system and new ways of working.


However, there appeared to be an underlying issue with regards to awareness and understanding amongst staff across the Council. It was appreciated that, given the scale of the changes taking place, ensuring that all staff are clear on every aspect of what is required and how to do things is a significant challenge. However, it is critical in terms of ensuring the effective operation of controls and the full compliance with required procedures. In addition, it is important from the perspective of ensuring that the Council fully utilises the Oracle system's functionality and that efficiency gains are maximised through the new ways of working.

Whilst recognising the steps being taken and the challenges faced, recommendations were therefore raised regarding the overarching issues in addition to the recommendations raised within individual reports.

The recommendations were as follows:

- The respective roles and responsibilities in respect of financial operations should be clearly defined, communicated and agreed. If any gaps in ownership of responsibilities are identified, management should take remedial action to address the gap promptly.  
In addition, benefits, purposes and reasons for the changes taking place should also be clearly communicated to staff across all Service Areas;
- All financial procedure notes and the PDD should be reviewed and amended as required. The finalised versions should then be published and communicated to all relevant staff. With regards to the PDD, it should be ensured that the recommendations raised as part of the 2009/10 work are fully reflected; and
- Further training and briefing should be provided to Oracle users. The coverage should be based on the training needs identified through a number of channels. In addition, the following should also be included as part of the training/briefing:
  - Where and how the Oracle users can view the status of purchase order requisitions and what each


	<p>status shown on the system indicate; and</p> <ul style="list-style-type: none"> <li>○ What the Service Area should do when they receive a credit note from the supplier and under what circumstances the service areas are required to contact the FSC Payments Team to request a credit memo or request a refund.</li> </ul>
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<b>Accounts Payable</b> (2010/11)	<p>It was understood that a number of issues had been experienced following the introduction of the Single Accounting System (SAS) in September 2010, including delays in processing invoices and duplicate payments. As such, management had already taken action to address the causes of these issues and hence recommendations were not raised regarding these issues.</p> <p>Whilst noting the above, the assurance opinion did partly reflect these issues, given that steps were still being taken to fully embed the changes. In addition, one priority 1 recommendation was raised in respect of validating bank account details for new suppliers. The assurance opinion also reflected the issues relating to the awareness and understanding of staff as per the Key Financial Systems Overarching Recommendations.</p> <p>A Direction of Travel assessment was not provided and will be done following the next audit in 2011/12. As such, on the basis of the positive actions being taken, and on the assumption that the issues regarding awareness and understanding will be further addressed in the coming months, the assurance opinion is expected to rise in 2011/12. However, it should be noted that this cannot be guaranteed, given that any further changes to the systems of control and/or ways of working may impact upon the current adequacy of the control environment, as well as the extent to which controls are effectively operated.</p>	
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Priority 1 Recommendation	Management Response / Deadline for Implementation
Bank account details should be validated when new suppliers are created.	<p>Agreed.</p> <p>The iprocurement project being led by procurement will incorporate a review of supplier set up arrangements, with the intention of restricting the addition of new suppliers where existing contracts in place.</p> <p>A review of bank account validations will also be undertaken in the light of this – the expected reduction in volumes will enable</p>




Priority 1 Recommendation	Management Response / Deadline for Implementation
	a more comprehensive validation process within the level of resources appropriate to the levels of risk faced. <b>September 2011</b>

<b>Accounts Receivable</b> (2010/11)	<p>The assurance opinion partly related to the two priority 1 recommendations raised, given that these concerned key control weaknesses in respect of an accounts receivable function, i.e. that officers with access rights to raise invoices also have the ability to amend invoices and raise credit notes, without the need for any form of online review and approval. Three priority 2 recommendations were also raised.</p> <p>In addition, as stated under Accounts Payable, the assurance opinion also reflected the issues in respect of awareness and understanding amongst staff across the Council.</p> <p>As with Accounts Payable, a Direction of Travel assessment was not provided, but will be following the next audit in 2011/12.</p>	
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Priority 1 Recommendations	Management Response / Deadline for Implementation
<p>The current access rights for the raising of invoices and credit notes, and the amendment of invoices, should be reviewed and amended as a matter of priority.</p> <p>In addition, consideration should be given to introducing online approval for credit notes and amendments to invoices. If this is not deemed practical, a retrospective review should be introduced whereby a report of all credit notes raised and amendments processed should be run from the system, and items should be checked back to supporting documentation (requests). Management should determine whether any such checks are done for 100% of items, or on a sample basis. Such a decision should take account of the risk exposure and management's risk appetite.</p>	<p>Agreed.</p> <p>A review of Credit Notes and Amending of invoices access is currently being investigated by the OSD to ensure that this responsibility solely lies within the FSC income team. Priority will be given to regular spot checks to ensure that the procedures and guidelines set up by the OSD are adhered to, current access and rights for raising of invoices within the FSC income team will be monitored on a regular basis.</p> <p><b>August 2011</b></p>
All e-form requests for the raising of credit notes or for amendments to invoices, should be subject to review and	Agreed.

Priority 1 Recommendations	Management Response / Deadline for Implementation
<p>approval from either the relevant budget holder or Business Partner, prior to being passed to the FSC.</p> <p>In addition, this should also apply in any instance where a Service Area is requesting an invoice to be raised by the FSC, using the e-form.</p> <p>Where invoices are being raised directly within the Service Areas (as is the requirement in the majority of cases), the same review and approval should be introduced in all cases.</p> <p>Officers responsible for processing requests, either within the FSC or within Service Areas, should only do so where the budget holder / Business Partner approval has been evidenced.</p>	<p>We will request that an additional field is created on the e-form to enable the budget holder to authorise such transaction before the request is sent to the FSC.</p> <p><b>June 2011</b></p>


<p><b>General Ledger and Reporting</b> (2010/11)</p>	<p>The assurance opinion partly related to the six priority 1 recommendations raised, given that these concerned key control weaknesses in respect of the operation of the general ledger. Two priority 2 recommendations were also raised.</p> <p>In addition, as stated under Accounts Payable, the assurance opinion also reflected the issues in respect of awareness and understanding amongst staff across the Council.</p> <p>As with Accounts Payable, a Direction of Travel assessment was not provided, but will be following the next audit in 2011/12.</p>	
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Priority 1 Recommendations	Management Response / Deadline for Implementation
<p>A standard approach to the processing of journals should be adopted across the Council, regardless of whether it is done by the FSC or Service Areas. This should include, but is not necessarily limited to:</p> <ul style="list-style-type: none"> <li>• Template to be used (please see recommendation no.7 for a specific recommendation regarding the journal template);</li> <li>• Referencing method;</li> <li>• Level of required detail in the description;</li> </ul>	<p>Agreed.</p> <p>A revised ADI journal template has been created. This electronic document is in use with the A2R team, and will be made available for the Business Partners/Service Areas. Changes have been made making it clearer of the mandatory fields required.</p> <p>The Business Partners will be notified of the changes at the next scheduled Oracle User Group meeting in June 2011.</p>

Priority 1 Recommendations	Management Response / Deadline for Implementation
<ul style="list-style-type: none"> <li>• Journals requiring to be signed by preparer, authoriser and poster;</li> <li>• Required supporting documentation; and</li> <li>• Maintenance of a journal log and the completion of sample checks.</li> </ul> <p>It is also recommended that staff should be reminded of the requirements of processing journals, including the need for complete records to be maintained and the required level of segregation of duties.</p> <p>In addition, cross Service Area journals should only be actioned by the FSC when received by Business Partners and Senior Finance Analysts, until such a point that Business Partners are confident that journal requests will be submitted error free by budget holders.</p> <p>To help determine this, Service Areas should monitor error rates on submitted journal requests to help prevent inaccurate journals being processed and to identify any further training needs.</p> <p>In addition, it is recommended that the A2R Team Leader should complete regular spot checks to determine the level of compliance with procedures.</p>	<p>The A2R Team were notified of the changes at the start of the new Financial Year 2011/12 in a scheduled team meeting as well as a reminder of supporting documents required for each journal.</p> <p>The financial control timetable introduced in 2011/12 indicates the review of the posted journals. A sample of journals will be selected for review in the FSC on a monthly basis.</p> <p><b>June 2011</b></p>
<p>User access levels should be reviewed in line with officers' new roles following the restructure.</p> <p>Access requirements for each role should be defined, and any further access requirements should be approved in line with the current protocol.</p> <p>In addition, management should clarify the required authorisation for user access forms.</p>	<p>Agreed.</p> <p>A review of roles in the system will be undertaken to ensure that roles are appropriate for latest structure. The authorisation requirement for user access forms will also be clarified.</p> <p><b>September 2011</b></p>
<p>The bank reconciliations should be documented in full and should be subject to review on at least a monthly basis.</p>	<p>Agreed.</p> <p>The A2R Team Leader is currently working on the full Bank</p>

Priority 1 Recommendations	Management Response / Deadline for Implementation
<p>In addition Service Areas should be provided with a list of unreconciled items, and should be requested to provide any feedback regarding these, where possible.</p>	<p>reconciliation for year end 2010/11. The year-end reconciliation is currently work in progress with a target completion date of early June 2011. The financial control timetable introduced for 2011/12 indicates the review of the Bank reconciliation on a monthly basis with sign-off from Deputy Director of Finance on a quarterly basis.</p> <p>From June 2011 the Business Partners will be sent unreconciled items on a monthly basis to assist with the identification of the outstanding items</p> <p><b>June 2011</b></p>
<p>The issues regarding the migration of balances should be resolved as a matter of priority, and, going forwards, the AR reconciliation should be completed on a monthly basis.</p> <p>In addition, as per recommendation no.3, a process should be put in place regarding increased liaison with the Business Partners so as to potentially help with resolving any issues or queries that may arise from the completion of this reconciliation.</p>	<p>Agreed.</p> <p>Full reconciliations for 2010/11 being completed as part of 2010/11 closing. Monthly reconciliations will be signed off thereafter</p> <p><b>June 2011</b></p>
<p>A course of action should be devised to address the current issues regarding the reporting of commitments. In addition, management should determine whether there are any issues regarding reports for all cost centres, given concerns expressed by Service Areas.</p> <p>Reasons for potential differences in Oracle and Business Objects reports should be communicated and staff should be provided with guidance on what reports most accurately reflect the financial position.</p>	<p>Agreed.</p> <p>A new budget monitoring report has been developed which incorporates commitments. This also provides the standard report to be used across the Council.</p> <p><b>Implemented</b></p>
<p>A consistent approach to budget monitoring should be implemented across Service Areas. Items to consider include,</p>	<p>Agreed.</p> <p>Standard report now produced (as per response above) and</p>



Priority 1 Recommendations	Management Response / Deadline for Implementation
<p>but are not necessarily limited to:</p> <ul style="list-style-type: none"> <li>• The format of reports used (as per recommendation no.6);</li> <li>• The officers responsible for completion of forecasts and variance analysis. It is suggested that, ideally, this should be the budget holder;</li> <li>• Timeframes for completion;</li> <li>• Support offered to budget holders, such as meeting each budget holder on a regular basis, to both aid the budget holders' understanding of the process and requirements and to increase Business Partners understanding of services provided and requirements; and</li> <li>• Attaching risk profiles to budgets / cost centres based on whether the service is business critical and the budget holders ability, so that can support can be targeted.</li> </ul>	<p>the process for budget monitoring in 2011/12 will set out standard approach across the Council. Budget manager training during 2011/12 will also address role of budget holders in monitoring.</p> <p><b>March 2012</b></p>

<b>Cash and Bank (2010/11)</b>	<p>A Limited Assurance was given due to a number of weaknesses identified and because of the limitations placed on the scope of the work. In summary the main weaknesses identified were: audit were unable to verify the status of the reconciliation of the bank accounts which have yet to be closed; the main bank account reconciliation is not fully documented and there is no evidence of review; the cash manual has not been reviewed or updated; credit, debit and mixed cheque transactions are transferred to the main bank account on an ad hoc basis; responsibility for processing of all income receipts and transactions is not clearly defined and there are no written procedures for the reconciliation of the main bank account.</p> <p>An additional 7 Priority 2 recommendations were raised all of which were agreed for implementation by management.</p>	
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Priority 1 Recommendations	Management Response / Deadline for Implementation
<p>All of the former unit bank accounts which are yet to be closed should be reconciled monthly and that the reconciliations fully documented. Monthly reconciliations should be signed and dated by the preparer and the reviewer as evidence of review. The reconciliation of the main bank account should be formally recorded and that evidence of review should be formally recorded.</p>	<p>Agreed.</p> <p>The A2R Team Leader is currently working on the full bank reconciliation for 2010/11 year end on the main account. A semi-manual process is being used until a full system process, incorporating the migrated bank accounts, is in place. Work has commenced to implement a full system reconciliation for 2011/12.</p> <p>Once in place the reconciliations will be signed off on a monthly basis.</p> <p><b>September 2011.</b></p>

## LIMITED ASSURANCE REPORTS – School Audits

Given that a common set of key weaknesses have been identified across schools (as outlined in the Executive Summary), priority 1 recommendations have not been listed individually. **For the Secondary Schools highlighted in bold, no management responses were received to the draft report and given that the draft reports were issued, in most cases, over nine months ago they have been finalised on the basis that management will be implementing all of the recommendations.**

Oakington Manor Primary School (2010/11)	Six priority 1, four priority 2, and one priority 3 recommendations were raised as a result of this audit. All priority one recommendations were agreed by the school.	
Convent of Jesus & Mary Language College (2010/11)	12 priority 1, 20 priority 2 recommendations and one priority 3 recommendations were raised as a result of this audit.	

**The Secondary Schools below failed to respond to the draft audit or provide management comments, although Claremont High School is now an Academy over which the council has no control.**

<b>Alperton Community School</b> (2010/11)	Three priority 1 and five priority 2 recommendations were raised as a result of this audit.	
<b>Claremont HighSchool</b> (2010/11)	Three priority 1 and five priority 2 recommendations were raised as a result of this audit.	
<b>JFS</b> (2010/11)	Two priority 1, seven priority 2 and two priority 3 recommendations were raised as a result of this audit.	
<b>Kingbury High School</b> (2010/11)	Four priority 1 and seven priority 2 recommendations were raised as a result of this audit	
<b>Wembley High Technology College</b> (2010/11)	Five priority 1 and 11 priority 2 recommendations were raised as a result of this audit.	



## NON-ASSURANCE WORK

This section summarises other work undertaken for which an assurance opinion was not applicable. Both 2011/12 work completed to date and any 2010/11 work that has been finalised since the June 2011 meeting has been included.

<p><b>Civic Centre</b> (2010/11)</p>	<p>This work was a second interim audit of what is a 'watching brief' process, designed to report on the progress of the Civic Centre project from its inception to its commissioning and handover. If any weaknesses in control or issues regarding the management of the project are identified through the work, these are highlighted within each of the reports.</p> <p>For this second interim audit, audit considered the controls being implemented and operated across the following areas:</p> <ul style="list-style-type: none"> <li>• Governance Arrangements;</li> <li>• Appointment of the Construction Contractor;</li> <li>• Risk Management; and</li> <li>• Master Programme.</li> </ul> <p>It should be noted that audit are not providing an assurance opinion as part of each stage of the work. Instead, audit are reporting on findings in respect of each of the agreed areas of scope, the focus of which is changing as the project progresses. However, any areas of concern or potential improvement are highlighted, together with suggested steps for management's consideration.</p> <p>Overall, on the basis of the documentation provided to us, and the discussions held, at the time of the audit there appeared to be effective governance arrangements in place, which is key to the success of the project. Examples of good practice in respect of the management of the project included the following:</p> <ul style="list-style-type: none"> <li>• The number and level of reporting arrangements were seen as informative, with a high level review and update process;</li> <li>• There is senior management input within project groups and workstream meetings, in line with agreed requirements, and as supported by consultants;</li> <li>• The appointment of the contractor was in accordance with EU and Council Regulations; and</li> <li>• At the time of the fieldwork, the construction programme and costs were said to be on target;</li> </ul> <p>Whilst highlighting the above, it should be noted that the work must not be taken as any form of guarantee as to the progress of the project, or whether it will be delivered on time, within budget and</p>
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	<p>to the required standard. There are a range of internal and external factors which may affect this, and management are responsible for ensuring that these are identified promptly and in full, and that actions are taken to manage them, as appropriate.</p> <p>At the time of the audit, a number of areas were highlighted in which further actions were needed. These included final decisions regarding the branding of the Authority and the building; access to the site during the period of the London 2012 Olympic Games; consideration to the development of contingency plans in the event that there is significant slippage against the planned completion date; and the further development of plans in respect of facilities management for the building. It is acknowledged that management were already taking steps to address each of these, but they were reported on for completeness.</p>
<b>Establishments – Thematic Work (Stage 2) (2010/11)</b>	<p>As part of the 2010/11 Internal Audit Plan, work in respect of the Establishments operated by Adult Social Care was undertaken. Work in previous years highlighted a number of common areas of control weakness across the Establishments visited, including both day centres and residential care homes. A summary report of these common weaknesses was issued in 2009/10, which was intended to help to ensure consistency in the operation of controls across the Establishments.</p> <p>The 2010/11 work was split into two stages. Initially audit facilitated a workshop with management, including officers from the establishments, to discuss the weaknesses and the recommended actions. Audit subsequently visited a number of Establishments to determine progress against these actions. The Establishments visited were:</p> <ul style="list-style-type: none"> <li>• Albert Road Day Centre;</li> <li>• Knowles House Residential Home;</li> <li>• The Millennium Day Centre;</li> <li>• Projects Day Centre;</li> <li>• Stonebridge Day Centre; and</li> <li>• Strathcona Day Centre.</li> </ul> <p>Management responses were provided by Central Management in relation to the recommendations raised within the 2009/10 summary report. Actions included: establishing new procedures; formulating guidelines and pro-forma to be used across Establishments; formation of a working group to aid this process; and completion of audits across all Establishments. All actions were due to be implemented by the end of March 2011 further actions were required at the time of the fieldwork.</p> <p>Overall, on the basis of the work undertaken, limited progress was found to have been made with regard to the implementation of the recommendations previously raised. The actions to be taken</p>

	<p>centrally had not been completed and there appeared to have been a lack of clear guidance provided to Establishment Managers regarding the required changes. Connected to this, it is acknowledged that there was a change in Central Management and audit were informed that the report and responsibilities for implementation of recommendations raised were not passed on to the successor. Resource pressures were also highlighted by management.</p> <p>At the Establishment level, given that some mergers were due to take place across the Establishments, some Establishment Managers were unsure whether it was worthwhile making fundamental changes which may then be superseded. Whilst this is acknowledged, it is audit's view that these changes should not impact on the need to address the weaknesses across the Establishments, and, in some cases it is important that the risks associated with them are controlled as part of the mergers, for example in respect of assets. In addition, the mergers also provide a good opportunity to implement new processes and procedures from the outset.</p> <p>Set against this, it was positive to note that there had been improvements in some areas, specifically purchasing and the transfer of client monies. The improvement with regards to purchasing was largely due to the implementation of Oracle and Advanced Electronic Procurement, which is now accessible at the Establishments, and the training that staff had received for this. It was also acknowledged that some procedures were in the process of being updated and implemented by the Adults Social Care Finance Team, such as the use of prepaid cards, and the introduction of catering and cleaning contractors was also being considered.</p> <p>In total, 11 recommendations were raised with regards to the further actions still needed. These have been agreed by management, with deadlines for implementation set as November 2011.</p>
<p><b>CRC Readiness</b> (2011/12)</p>	<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>

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.

Over the past 18 months, using Deloitte's sustainability specialists, audit have 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.

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.

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, 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.

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.

## 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.

### 2010/11 Audits

Audit	Status as at 31 August 2011
Network Infrastructure (IT)	Draft Report – management responses being discussed
Corporate Property Service Model	Draft Report
Michael Sobell Sinai School	Draft Report
Our Lady of Lourdes	Draft Report

### 2011/12 Audits

Audit	Status as at 31 August 2011
Ward Working Grants	Draft Report
Resilience of Outlook/Exchange and Email Archiving (IT)	Draft Report
Gladstone Park Primary School	Draft Report
Lyon Park Infant School	Draft Report
Princess Frederica C of E Primary School	Draft Report
Mitchell Brook Primary School	Draft Report
Conflict of Interest (Members)	Draft Report
Curzon Crescent Children Centre (Contract Audit)	Draft Report
Curzon Crescent Children Centre	Draft Report
NWLJ	Draft Report

Audit	Status as at 31 August 2011
Leasehold management & Service Charges (BHP)	Draft Report
John Keble C of E Primary School	Work in Progress
Kensal Rise Primary School	Work in Progress (Further information/documents to be provided)
The Kilburn Park School Foundation	Work in Progress (Further information/documents to be provided)
Park Lane Primary School	Work in Progress (Further information/documents to be provided)
Business Continuity Planning	Work in Progress
Financial Planning	Work in Progress
Pre-Paid Card (Staff)	Work in Progress
Pre-Paid Card (Beneficiaries)	Work in Progress
Framework i (IT)	Work in Progress
Conflict of Interests (Employees)	Work in Progress
Safeguarding	Work In Progress
Equality Impact Assessment	Work In Progress

## Follow-Up of Previously Raised Recommendations

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

The audit 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, audit have included Draft Follow-Up Reports, 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, audit are awaiting responses from management. All agreed further actions will be added to the 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 audit 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	
Section 106	2	-	-	1	1	1	-	-	-	3	1	1	-	-
Grants to Voluntary Organisation	-	1	1	2	-	1	2	1	-	4	2	2	1	Draft: Pending mgt response
Debt Management	2	2	-	1	2	-	-	-	-	3	4	-	-	-
Children's Centre Financial Management	-	1	6	-	1	-	-	-	-	-	2	6	-	-
Accounts Receivable*	-	-	-	-	-	-	-	-	-	5	3	4	-	-
Accounts Payable*	-	-	-	-	-	-	-	-	-	19	3	6	-	-
General Ledger and Reporting*	-	-	-	-	-	-	-	-	-	11	1	9	-	-
Reablement*	-	-	-	-	-	-	-	-	-	3	6	3	-	-

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	
Establishments*														-	5	6	2	-
<b>Total</b>		<b>4</b>	<b>4</b>	<b>9</b>		<b>8</b>	<b>6</b>	<b>6</b>		<b>2</b>	<b>1</b>	<b>-</b>		<b>48</b>	<b>27</b>	<b>37</b>	<b>3</b>	

*\* The recommendations raised in 2009/10 in relation to the Finance Modernisation Project were not assigned priorities, hence why the results are only shown in the 'Total' columns. The same applies to the recommendations raised in 2010/11 in relation to Reablement and regarding the thematic work with the Establishments.*



## Appendix A – Briefing on the new Schools Financial Value Standard

The following has been included for the Committee's information, as published by the Department for Education.

### **INTRODUCTION OF SCHOOLS FINANCIAL VALUE STANDARD – NOTE FOR LOCAL AUTHORITIES**

*The Department intends that completion of SFVS will be a requirement for maintained schools. The current Education Bill contains a clause restoring the Secretary of State's power to make directed revisions to local authority schemes for financing schools. We would expect to consult as soon as practicable on a directed revision which will add SFVS as a requirement into the scheme.*

*Maintained schools will be required to conduct an assessment against SFVS once a year. In the consultation, schools suggested that their pattern of governors' meetings would make a financial year end date easier to operate, so we are proposing to require that all schools should have completed their first self-assessment by 31 March 2013. This will also be consistent with the period to which the DSG outturn statement relates. However, those schools which never attained FMSiS will be expected to report against SFVS by 31 March 2012. Self-assessments signed by the chair of governors must be sent to the local authority.*

*SFVS is not externally assessed like FMSiS. It is designed in the first place to engage governing bodies through a much simpler set of questions and supporting material. Then it is expected to feed into the regular internal audit processes of local authorities.*

*Local authorities' Chief Finance Officers (section 151 officers) will not be asked to give any assurance in relation to the attainment by schools of FMSiS during the financial year 2010-11. With effect from the financial year 2011-12 we will be including SFVS in the outturn statement in regard to DSG which is signed by Chief Finance Officers (CFOs).*





*CFOs will be expected to say each year how many SFVS reports from schools they had received for self-assessments carried out before 31 March, and give an assurance that they are taking the contents of these reports into account in planning their future programme of audit. They will also be expected to give a general assurance that they have a system of audit in place which gives them adequate assurance over schools' standards of financial management and the regularity and propriety of their spending. For 2011-12 only, they will be expected to make a supplementary statement about the SFVS returns from those schools that had never attained FMSiS.*



*Since SFVS will be brought within the scope of schemes for financing schools, it will be in scope of local authorities' powers to issue a notice of concern or in extremis to withdraw financial delegation. Local authorities could issue a notice of concern where schools fail to complete SFVS as required. They could also consider publishing a list of schools that have not completed SFVS on time.*

*The Department will take a particular interest in those schools that had failed to attain FMSiS by the due date of 31 March 2010 and will therefore be required to complete SFVS by 31 March 2012. We will expect to follow up with local authorities any cases where the CFO statement shows that such schools have not completed SFVS.*

DfE Funding Policy Unit  
July 2011

## Appendix B – Audit Team and Contact Details

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