

Brentwood Borough Council

INTERNAL AUDIT PROGRESS REPORT

February 2017



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INTRODUCTION

Internal Audit

This report is intended to inform the Audit and Scrutiny Committee of progress made against the 2016/17 internal audit plan which was approved by this Committee in March 2016. It summarises the work we have done, together with our assessment of the systems reviewed and the recommendations we have raised. Our work complies with Public Sector Internal Audit Standards. As part of our audit approach, we have agreed terms of reference for each piece of work with the risk owner, identifying the headline and sub-risks which have been covered as part of the assignment. This approach is designed to enable us to give assurance on the risk management and internal control processes in place to mitigate the risks identified.

Internal Audit Methodology

Our methodology is based on four assurance levels in respect of our overall conclusion as to the design and operational effectiveness of controls within the system reviewed. The assurance levels are set out in section 2 of this report, and are based on us giving either "substantial", "moderate", "limited" or "no". The four assurance levels are designed to ensure that the opinion given does not gravitate to a "satisfactory" or middle band grading. Under any system we are required to make a judgement when making our overall assessment.

Work outside of the Internal Audit Plan

No additional work has taken place.

Overview of 2016/17 work to date

See page 4 for details of the audits completed since the previous Audit and Scrutiny Committee.

The 2016/17 work is progressing in line with expectations.

PROGRESS SINCE SEPTEMBER 2016 AUDIT AND SCRUTINY COMMITTEE

Area	No. of days	Head of Service Responsible	Assurance - System Design	Assurance - Operating Effectiveness	No. of High priority recommendations	No. of Medium priority recommendations	No. of Low priority recommendations	Ref to Executive Summary
Risk Management and Governance	10	Sue White	Moderate	Moderate		4		Appendix II

PROGRESS AGAINST 2016/17 PLAN

Area	2016/17 days	Date work to be undertaken	Progress Update	Assurance - System Design	Assurance - Operating Effectiveness
Environment and Housing					
Housing	20	Q4	Work in progress		
	20				
Community and Health					
No 2016/17 audits					
	0				
Economic Development					
Capital projects	0	Q3	Removed from plan at request of Council and replaced with Housing Benefit Subsidy review.		
	0				
Planning and Licensing					
Local Development Plan	15	Q4	Draft report		
Licensing	20	Q2	Final	Moderate	Moderate
	35				

PROGRESS AGAINST 2016/17 PLAN

Area	2016/17 days	Date work to be undertaken	Progress Update	Assurance - System Design	Assurance - Operating Effectiveness
Transformation					
Financial systems	40	Q4	Work in progress		
Risk Management and Governance	10	Q4	Final	Moderate	Moderate
Customer Services	10	Q3			
Commercialisation and cost savings	30	Q2	Final	N/A	N/A
Policy review	10	Q1	Final	Substantial	Moderate
Contract Management and Procurement	20	Q2	Final	Moderate	Limited
Cyber Security	15	Q3	Deferred at request of management		
IT Security and Governance	20	Q3	Deferred at request of management		
Housing Benefit Subsidy	15	Q3	Work in progress - awaiting further information from management		
Counter Fraud **	20	On-going	On-going		
	175				

** - delivery of awareness training

PROGRESS AGAINST 2016/17 PLAN

Area	2016/17 days	Date work to be undertaken	Progress Update	Assurance - System Design	Assurance - Operating Effectiveness
Planning, Reporting, Follow-up and Contingency					
Planning/ liaison/ management	20	Ongoing arrangement of audits and liaison with management			
Recommendation follow up	10	Work in progress			
Contingency (additional audits to be agreed with the Finance Director)	25				
Total	55				
Total	300				

APPENDIX I - DEFINITIONS

LEVEL OF ASSURANCE	DESIGN of internal control framework		OPERATIONAL EFFECTIVENESS of internal controls	
	Findings from review	Design Opinion	Findings from review	Effectiveness Opinion
Substantial	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
Moderate	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
Limited	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
No	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.

Recommendation Significance	
High	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
Medium	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
Low	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.

APPENDIX II - RISK MANAGEMENT

LEVEL OF ASSURANCE (SEE APPENDIX V FOR DEFINITIONS)		SUMMARY OF RECOMMENDATIONS (SEE APPENDIX IV)	
Design	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	High	0
Effectiveness	Evidence of non compliance with some controls, that may put some of the system objectives at risk.	Medium	4
		Low	
		Total number of recommendations: 4	

OVERVIEW

Background

The purpose of our review was to provide assurance that appropriate arrangements are in place and operating effectively in relation to Risk Management.

The Council is required to effectively manage the organisational risks that it faces to ensure that the strategic objectives in the Corporate Plan are achieved. A well developed Risk Register (including both strategic and operational risks) is an important tool for identifying key risks to the Council and how these will be managed within the organisation’s overall risk appetite.

The Council has been making use of a Strategic Risk Management Consultant from Zurich to obtain strategic risk management support as part of their risk improvement activities. An action plan is in place to address the findings from this review.

Good Practice

- The Council makes use of a risk management consultant from Zurich who provides those Council staff with specific risk management responsibilities comprehensive training on how to effectively engage with risk management.
- The Council has a comprehensive Insurance and Risk Management Strategy and Risk Management Handbook which provides staff with guidance on a wide range of the Council’s risk management procedures.
- The Risk and Insurance Officer engages well with risk owners and other responsible individuals within departments to facilitate engagement with the Council’s risk management procedures and to assist with ongoing maintenance of the Council’s risk registers.
- Links are now being made between risks in the risk registers and the Council’s strategic and operational goals.

APPENDIX II - RISK MANAGEMENT


OVERVIEW

Key Findings

- The Strategic Risk Register summary sheet that is reported to the Audit & Scrutiny Committee could be improved to provide increased clarity to Members about what the risks are and how they are being managed. (Finding 1 - Medium)
- The training provided by the risk management consultant from Zurich should be distributed to a wider audience within the Council to ensure everyone who could benefit from this training has the opportunity to attend a session. (Finding 2 - Medium)
- A number of concerns have been identified with the Council's operational risk registers including the following:
 - A lack of target scores for risks to be mitigated down to
 - Inadequately detailed descriptions of risks
 - A lack of identified controls where risks have not been accepted at the current level
 - Inadequately detailed descriptions of controls (Finding 3 - Medium)
- The risk management policies and procedures do not assign an appropriate level of responsibility for managing risks within the Council's individual departments. (Finding 4 - Medium)
- We have followed up recommendations from the May 2016 audit and we noted that 3 out of 6 recommendations were not fully implemented as of this audit fieldwork date. These are reflected in the findings above.

Conclusion

Overall we have raised 4 findings and recommendations relating to the Council's arrangements for risk management, all at medium level. Our review found that despite the improvements made since the last review, there is still some scope for improving the Council's risk management controls, but that there were no major instances of non compliance with the current controls. Therefore we have provided a final assessment of moderate assurance over both the control design and the control effectiveness.



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