

Brentwood Borough Council

INTERNAL AUDIT PROGRESS REPORT

August 2016



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INTRODUCTION

Internal Audit

This report is intended to inform the Audit and Scrutiny Committee of progress made against the 2015/16 internal audit plan which was approved by this Committee in March 2015. 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 2015/16 and 2016/17 work to date

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

The 2015/16 work is now complete with the exception of one piece of work on the Corporate Plan that remains in progress.

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

PROGRESS SINCE MAY 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
IT security and governance	20	Tim Huggins	Moderate	Limited		6		Appendix II
Localism	15	Kim Anderson	Moderate	Moderate		6	2	Appendix III
Policy review	10	Steve Summers	Substantial	Moderate		2		Appendix IV
Licensing	20	Gary O'Shea	Moderate	Moderate		6	2	Appendix V

PROGRESS AGAINST 2015/16 PLAN

Area	2015/16 days	Date work to be undertaken	Progress Update	Assurance - System Design	Assurance - Operating Effectiveness
A Modern Council					
Planning	20	Q1/Q2	Final	Limited	Limited
Customer Services	15	Q3	Final	Moderate	Moderate
Corporate Plan and Priorities	20	Q4	In progress		
Financial systems	40	Q4	Final	Substantial	Moderate
Payroll	10	Q4	Final	Moderate	Moderate
Review of Accounts Payable Arrangements	12	Q1	Final	Moderate	Limited
Human Resources	25	Q4	Final	Limited	Limited
Risk Management	15	Q4	Final	Limited	Moderate
IT Security and Governance	20	Q4	Final	Moderate	Limited
Disaster Recovery and Business Continuity	15	Q4	Final	Limited	Limited
Procurement of Legal Services	5	Q3	Final	N/A *	N/A *
Counter Fraud	18	On-going	On-going	N/A **	N/A **
	215				

* - this is an additional piece of work to be followed up as part of the Legal Service review being undertaken by the Council.

** - delivery of awareness training

PROGRESS AGAINST 2015/16 PLAN

Area	2015/16 days	Date work to be undertaken	Progress Update	Assurance - System Design	Assurance - Operating Effectiveness
Street scene and environment					
Waste Income and Contract Management	15	Q1/2	Final	Moderate	Moderate
	15				
Housing, Health and Wellbeing					
Housing systems	15	Q4	Final	Moderate	Moderate
Affordable Housing	15	Q4	Draft report with officers		
Revenues and Benefits	15	Q3	Final	Moderate	Moderate
	45				
A Safe Borough					
Localism and building community capacity	15	Q4	Final	Moderate	Moderate
	15				

PROGRESS AGAINST 2015/16 PLAN

Area	2015/16 days	Date work to be undertaken	Progress Update	Assurance - System Design	Assurance - Operating Effectiveness
A Prosperous Borough					
Local Development Plan/Regeneration	20	Q4	Draft report with officers		
	20				
Planning, Reporting, Follow-up and Contingency					
Planning/ liaison/ management	20				
Recommendation follow up	10				
Contingency	10				
Total	40				
Total	350				

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			
	20				
Community and Health					
No 2016/17 audits					
	0				
Economic Development					
Capital projects	15	Q3			
	15				
Planning and Licensing					
Local Development Plan	15	Q4			
Licensing	20	Q2	Final	Moderate	Moderate
	35				

PROGRESS AGAINST 2016/17 PLAN

Area	2015/16 days	Date work to be undertaken	Progress Update	Assurance - System Design	Assurance - Operating Effectiveness
Transformation					
Financial systems	40	Q4			
Risk Management and Governance	10	Q4			
Customer Services	10	Q3			
Commercialisation and cost savings	30	Q2	Work in progress		
Policy review	10	Q1	Final	Substantial	Moderate
Contract Management and Procurement	20	Q2	Work in progress		
Cyber Security	15	Q3			
IT Security and Governance	20	Q3			
Counter Fraud	20	On-going	On-going		
	175				

* - this is an additional piece of work to be followed up as part of the Legal Service review being undertaken by the Council.

** - 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				
Recommendation follow up	10				
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 - INFORMATION AND SECURITY GOVERNANCE

LEVEL OF ASSURANCE (SEE APPENDIX I FOR DEFINITIONS)

Design	Moderate	Generally a sound system of internal control designed to achieve system objectives with some exceptions.
Effectiveness	Limited	Non-compliance with key procedures and controls places the system objectives at risk.

SUMMARY OF RECOMMENDATIONS (SEE APPENDIX I)

High	
Medium	6
Low	
Total number of recommendations: 6	

OVERVIEW

Background

In accordance with the 2015/16 internal audit plan, BDO LLP performed a review of Information Security and Governance controls at Brentwood Borough Council (The Council).

The Council provides several services that are critical to the local community and holds sensitive information including housing, parking fines, licensing, construction etc, within its systems including; 'Uniform' - which holds planning, licensing, environmental health and construction information, 'e-Financials' - which is the accounting system, 'Orchard Housing' - which is an estate management system, 'Report-it' - which is a customer information system used to direct customer enquiry details to the right department and 'Civica' Revenue benefit system - which is used to process council tax and benefits. The HR and payroll functions for the council are outsourced. The Council provide some staff with corporate mobiles and supports 'bring your own device' (BYOD) so staff can access emails only.

The IT team consists of 5 staff providing helpdesk, operations, infrastructure and business analysis support.

The Council is part of the Essex Online Partnership and the IT Manager works collaboratively with the Heads of IT from the other Councils in the partnership. The Council has been able to draw material such as policy templates and assistance from knowledge sharing, through this partnership. The workgroup has produced a set of information security policy templates which form the minimum standard that partners need to comply with. The Council has set up an ICT Change Board (Change Board) consisting of the Senior management team within IT. Other members of the senior management team, members of the project management team and members of the Corporate Leadership Board (CLB) attend the Change Board meetings where required. The Change Board helps to ensure ICT resources are focused on the Council objectives, is used to drive efficiencies and also focus on providing a technological platform to allow customer centred services.

The purpose of the audit was to:

- Provide management with an assessment of the effectiveness of the information security management function
- Evaluate the scope of the information security management organisation and determine whether essential security functions are being addressed effectively.

APPENDIX II - INFORMATION AND SECURITY GOVERNANCE

OVERVIEW

As part of our review we noted a number of areas of good practice. Some of these are listed below:

- The ICT Manager reports to the Head of the Council's Paid Service and sits on the CLB. This provides the ICT Manager with an opportunity to understand the Council's existing and future IT considerations.
- Various policies relating to IT security have been prepared using the template developed by the Essex Online Partnership program and are made available on the intranet.
- Management have introduced a process for starters/movers and leavers.
- Projects are monitored through the project office and monthly reporting on the status of projects and new projects in the pipeline is provided to the CLB. This provides the ICT Manager with visibility of projects requiring ICT resources that are coming up as well as allows the ICT Manager to provide guidance over security considerations required by the project team.
- Network passwords are configured to meet appropriate requirements including, length, ageing, complexity, and limiting the reuse of old passwords.
- Penetration tests are carried out by the Council to identify vulnerabilities in the network.

However, the following weaknesses were identified:

- The responsibility for governance of IT security is not formally defined.
- There is no formal process for approval of policies relating to IT Security. Further, there is no process in place for periodic review of the policy.
- There is no process for periodic review of users with access to the network and the applications.
- The users access set up and deletion process is not applied consistently
- The password configurations for the Civica Revenue and Benefits system and Orchard Housing system are inadequate
- There are generic user accounts used in e-Financials, Orchard housing management system and the Civica revenue and benefits system.

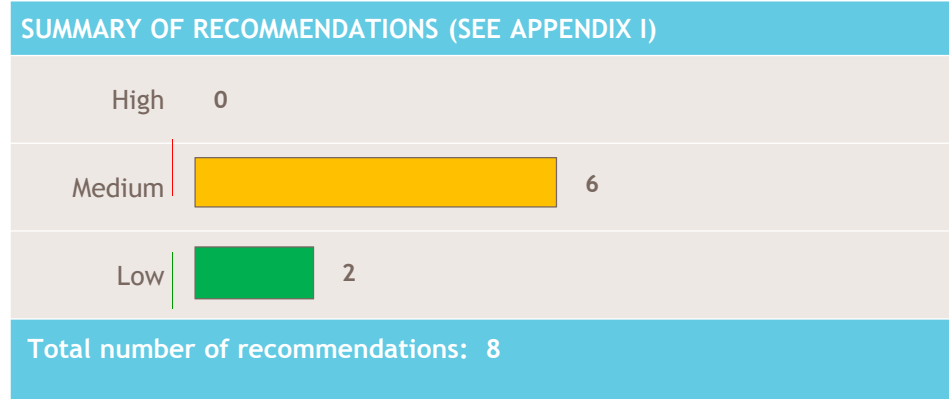
Conclusion

The Council has the basic arrangements in place that are required for securing information electronically. However, management should consider improving the governance and security aspects to enhance security of the information.

As a result of our review, and the recommendations raised, we are able to provide moderate assurance to the control design and limited assurance over the control effectiveness in the areas reviewed.

APPENDIX III - LOCALISM

LEVEL OF ASSURANCE (SEE APPENDIX I FOR DEFINITIONS)		
Design	Moderate	Generally a sound system of internal control designed to achieve system objectives with some exceptions.
Effectiveness	Moderate	Evidence of non compliance with some controls, that may put some of the system objectives at risk.



OVERVIEW

Brentwood Borough Council faces significant population growth in the coming years - a recent study estimated that the population is expected to rise by 12,000 by 2030. This means an extra 870 people and a corresponding need for an additional 360 houses each year. In turn, the Council needs to respond to changing demographics by arranging service provision to be fit for purpose. The recent draft Local Development Plan has indicated that a core component of a sustainable Brentwood will be the effective use of community assets. Through the Council’s Leisure Strategy, the Council will seek to maximise the social value of existing community halls, invest in new developments, maximise the income generating opportunity of its services, and maintain services to ensure marketability. This review will outline the risks the Council faces in achieving these objectives and suggest possible steps the Council might take to mitigate these.

Our review found the following areas of good practice:

- The Council’s vision for future sustainability is well supported and articulated. A number of independent work streams are being centrally coordinated to ensure a cohesive operating model.
- The Council has proactively sought independent challenge through the use of external advisors. The continued use of these ensures assumptions are rigorously tested and the final outputs are robust.
- The Council has begun conversations with local partners to identify opportunities for joint working, although these are still in a preliminary stage.
- The Council has also carried out broader stakeholder engagement including user groups and voluntary sector organisations.

APPENDIX III - LOCALISM

OVERVIEW

We also found some areas for improvement and development:

- The Council has estimated £1.89m of landlord repairs and maintenance over the next 10 years. Given the constrained financial environment, the Council will need to ensure it can meet these requirements through income generation and its commissioning strategy.
- The Council should accelerate discussions with local partners, including parish councils, health partners, voluntary organisations and the commercial sector to determine an effective way of working together to achieve sustainable service delivery.
- As the Council defines and identifies its priority assets, commissioning models including repair and lease will have to be assessed to ensure certainty of resources going forward. Given the need to undertake maintenance as well as provide new opportunities, a budget must be identified to provide certainty and reduce risk.
- Current models of provision have not included adequate maintenance of existing assets. In line with the identified costs of maintenance, the Council should ensure the necessary arrangements are made during the retender of the process.

We have provided moderate assurance overall. There is a commitment to develop an effective leisure service, and a number of initiatives are underway that may mitigate a number of risks. The Council's independent advisor is well placed to source a wide range of information and intelligence to enable informed decision making.

BDO are happy to provide best practice examples around commissioning, strategy development and stakeholder engagement.

APPENDIX IV - POLICY REVIEW

LEVEL OF ASSURANCE (SEE APPENDIX I FOR DEFINITIONS)			SUMMARY OF RECOMMENDATIONS (SEE APPENDIX II FOR DEFINITIONS)	
Design	Substantial	Sound system of internal controls designed to achieve system objectives	High	
Effectiveness	Moderate	Evidence of non compliance with some controls, that may put some of the system objectives at risk.	Medium	2
			Low	
			Total number of recommendations: 2	

OVERVIEW

Background

The Council's recently revised Corporate Plan provides a focus on the activities which will enable the Council to achieve its vision, and is underpinned by strategies, plans, objectives and targets. The adoption of sound and up to date policies and procedures is a key control contributing to the Council's ability to meet its objectives and comply with legislative requirements and good practice.

The Council's Finance Director has overall responsibility for ensuring adequate and effective policies and procedures are in place to support the Council's operations, although all managers maintain policies and procedures relating to their own areas of remit.

This review assessed whether the Council has effective arrangements to ensure relevant and up to date policies are in place

During the review we noted the following areas of good practice:

- Committee authorisation had been provided for key policies, plans and strategies that were operated by the Council
- The Council has policies and procedures supporting reporting of non-compliance, including a whistleblowing policy, a comments and complaints procedure, a fraud officer and fraud reporting templates
- The Council structure includes functions with responsibility for overseeing compliance with policies, strategies and plans, including Finance, Human Resources and Information Technology

However we also found the following areas for improvement:

- Some strategies policies and plans identified by the Council as key for the delivery of its Vision goals and objectives were not located, appeared to be due for review, or were in the process of being prepared or updated (finding 1 - Medium)
- Responsibility for the maintenance of some key strategies, policies or plans, as identified on the Council's intranet, had not been updated to reflect staff movements or structural change (finding 2 - Medium)

Conclusion

We have issued 2 medium recommendations. The Council has a generally sound system of internal controls for key policies, although there were weaknesses and risks relating to the updating of policies and clarity of assigned responsibility for policies which have led us to conclude substantial assurance on the design of controls, and moderate assurance on the effectiveness of the controls.

APPENDIX V - LICENSING

LEVEL OF ASSURANCE (SEE APPENDIX I FOR DEFINITIONS)		
Design	Moderate	Generally a sound system of internal control designed to achieve system objectives with some exceptions.
Effectiveness	Moderate	Evidence of non compliance with some controls, that may put some of the system objectives at risk.

SUMMARY OF RECOMMENDATIONS (SEE APPENDIX II FOR DEFINITIONS)	
High	
Medium	6
Low	2
Total number of recommendations: 8	

OVERVIEW

The purpose of this review is to consider the design and effectiveness of the controls in place around licensing to highlight any areas where the controls might be improved. We identified the following key findings:

Good Practice

- Fee structures are in line with legislative requirements and are appropriately and fully discussed and authorised by Members
- The Principal Licensing Officer maintains up to date knowledge of both legislative and case law developments within the licensing regime.

Key areas for improvement


- Policies and Procedures do not cover all aspects of the work completed by the Licensing Team and are not updated regularly
- The Licensing Register which is required by law is not operating effectively on the Council’s website
- Required documentation and evidence is not always obtained prior to issuing a licence
- Licensing awards are not formally reviewed and authorised by a senior officer. We found small errors in the length of award and amounts quoted

Conclusion

Overall we have raised eight recommendations relating to the Council’s management of licenses, including six medium level and two low level recommendations. Our review found that there is room for improving the Council’s licensing controls but with no areas of significant concern, and that there were no major instances of non compliance with the current controls, leading to a final assessment of moderate assurance over the control design and moderate assurance over the control effectiveness.

APPENDIX VI - 2014/15 high priority recommendations outstanding

Audit	Recommendation made	Priority Level	Manager Responsible	Due Date
Risk Management	The Risk Registers (both strategic and operational) should be linked to the Corporate Plan. The Risk Registers should be set out to show the risks associated with each Corporate Objective. For example, showing the risks under each Corporate Objective rather than by Department.	High	Ramesh Prashar / Sue White	This has now been completed.



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