

Brentwood Borough Council

INTERNAL AUDIT PLAN

2018- 2019 OPERATIONAL PLAN



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Restrictions of use

The matters raised in this report are only those which came to our attention during the course of our audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. The report has been prepared solely for the management of the organisation and should not be quoted in whole or in part without our prior written consent. BDO LLP neither owes nor accepts any duty to any third party whether in contract or in tort and shall not be liable, in respect of any loss, damage or expense which is caused by their reliance on this report.

INTERNAL AUDIT APPROACH

Introduction

Our role as internal auditors is to provide independent, objective assurance designed to add value and improve your performance. Our approach, as set out in the Firm's Internal Audit Manual, is to help you accomplish your objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Our approach complies with best professional practice, in particular, CIPFA Internal Audit Standards and Public Sector Internal Audit Standards.

Internal Audit at Brentwood Borough Council

We have been appointed as internal auditors to Brentwood Borough Council (the 'Council') to provide the s151 officer, the Audit Committee, the Head of Paid Service and other Heads of Service with assurance on the adequacy of internal control arrangements, including risk management and governance.

Responsibility for these arrangements remains fully with management, who should recognise that internal audit can only provide 'reasonable assurance' and cannot provide any guarantee against material errors, loss or fraud. Our role at the Council will also be aimed at helping management to improve risk management, governance and internal control, so reducing the effects of any significant risks facing the organisation.

In producing the internal audit plan for 2018-19 we have sought to further clarify our initial understanding of the business of Brentwood Borough Council together with its risk profile in the context of:

- The overall business strategy and objectives of the Council
- The key areas where management wish to monitor performance and the manner in which performance is measured
- The financial and non-financial measurements and indicators of such performance
- The information required to 'run the business'
- The key challenges facing the Council.

AUDIT RISK ASSESSMENT

Background

Our risk based approach to Internal Audit uses the Council's own risk management process and risk register as a starting point for audit planning as this represents the Council's own assessment of the risks to it achieving its strategic objectives.

The extent to which we can rely on management's own perception of risk largely depends on the maturity and effectiveness of the Council's own risk management arrangements. In estimating the amount of audit resource required to address the most significant risks, we have also sought to confirm that senior management's own assessment of risk accurately reflects Brentwood Borough Council's current risk profile.

Individual audits

When we scope each review, we will reconsider our estimate for the number of days needed to achieve the objectives established for the work and to complete it to a satisfactory standard in light of the control environment identified within the Council. Where revisions are required we will obtain approval from the appropriate Executive Director prior to commencing fieldwork.

In determining the timing of our individual audits we will seek to agree a date which is convenient to the Council and which ensures availability of key management and staff.

Variations to the Plan

Significant variations to the plan arising from our reviews, changes to the Council's risk profile or due to management requests will be discussed in the first instance with the s151 officer and approved by the Audit Committee before any variation is confirmed.

Planned approach to creating the internal audit operational plan for 2018-19

The indicative Internal Audit programme for 2018-19 is shown on pages 6 and 7. We will keep the programme under continuous review during the year and will introduce to the plan any significant areas of risk identified by management during that period.



PROPOSED RESOURCES AND OUTPUTS

Staffing

The core team that will be delivering the programme to you is shown below:

Name	Grade	Telephone	Email
Greg Rubins	Engagement Partner and Head of Internal Audit	02380 881 892	Greg.Rubins@bdo.co.uk
Angela Mason-Bell	Engagement Manager	07813 000 319	Angela.Mason-Bell@bdo.co.uk
Ian Wiltshire	Assistant Manager	07813 000 318	Ian.Wiltshire@bdo.co.uk

The core team will be supported by specialists from our national Risk and Advisory Services Team and wider firm as and when required.

Our indicative staff mix to deliver the programme for 2018-19 is shown below:

Grade	Annual days	Grade Mix (%)
Partner	27	10
Audit Manager	55	20
Team Leader	55	20
Auditors (including Qualified) & Specialist Staff	138	50
Total	275	100

Reporting to the Audit Committee

We submitted the indicative Internal Audit Plan for discussion and approval by the Audit Committee in March 2018. We will liaise with the Executive Directors and other senior officers as appropriate to ensure that internal audit reports summarising the results of our visits are presented to the appropriate Audit Committee meeting.

Following completion of the Internal Audit programme each year we will produce an Internal Audit Annual Report summarising our key findings and evaluating our performance in accordance with agreed service requirements.

INDICATIVE INTERNAL AUDIT OPERATIONAL PLAN

We have detailed below our indicative operational audit plan, this covers some of the areas that we think will be important to you over the next year, or where an internal audit has not been carried out in the last three to four year cycle.

Area	2018-19	Risk Register Reference	Timing	Description of the Review
Core Reviews				
Risk Management and Governance Arrangements	10	All risks	Q4	Review of the Council's governance structure and ensure that this is operating reasonably against the CIPFA Good Governance Code
Main Financial Systems	40	Risk 1 / Risk 11	Q4	Detailed annual review to include GL controls, system interfaces, journals plus a cyclical audits of debtors, creditors , budgetary control, treasury management, council tax, NNDR and housing benefits. It will include a review of the arrangements with the new payroll (and HR) provider, plus the controls relating to the roll out of Universal Credit in November 2017.
Disaster recovery and Business Continuity	20	Risk 3	Q2	Review of the Council's arrangements for the overall Business Continuity and Disaster Recovery Plan. This includes how this Plan interacts with local service plans and whether there is adequate oversight that these all remain up-to-date, regularly assessed and/or tested via desktop scenarios or live testing. We will also consider how arrangements link to supplier system/ arrangements.
General Data Protection Regulations	15	Risk 15	Q3	Review of compliance with the new requirements effective from 25 May 2018 across the Council's departments, with a focus on data owners' responsibilities.
Counter Fraud	20	All risks	Ongoing	Fraud risk management assessment and preventative measures, e.g. presentations and advice.
Total	105			
Local Development Plan	15	Risk 2	Q3	Review of the overall oversight and monitoring of the Local Development Plan, whether project plans are being adhered to and sufficient resources have been assigned to ensure timely delivery.
Commercial Activities	20	Risk 7	Q1	Review of the extent to which the Asset Development Programme is being delivered to support the long term sustainability of the Council, and assess the adequacy and effectiveness of governance.
Corporate Projects	20	Risk 13	Q2	Review of the extent to which the identified corporate projects are on track to be delivered, within budget and where completed that the anticipated benefits are being realised.
Workforce Strategy and Organisation Structure	15	Risk 4	Q3	Review of how the Workforce Strategy is monitored and progress is reported, and whether actions against the Plan are clear and achievable. We will compare your Strategy to other Councils and identify any further actions could support the Council's Corporate Priorities. Review of the extent to which the benefits anticipated from organisational structure reviews are being realised.
Total	70			

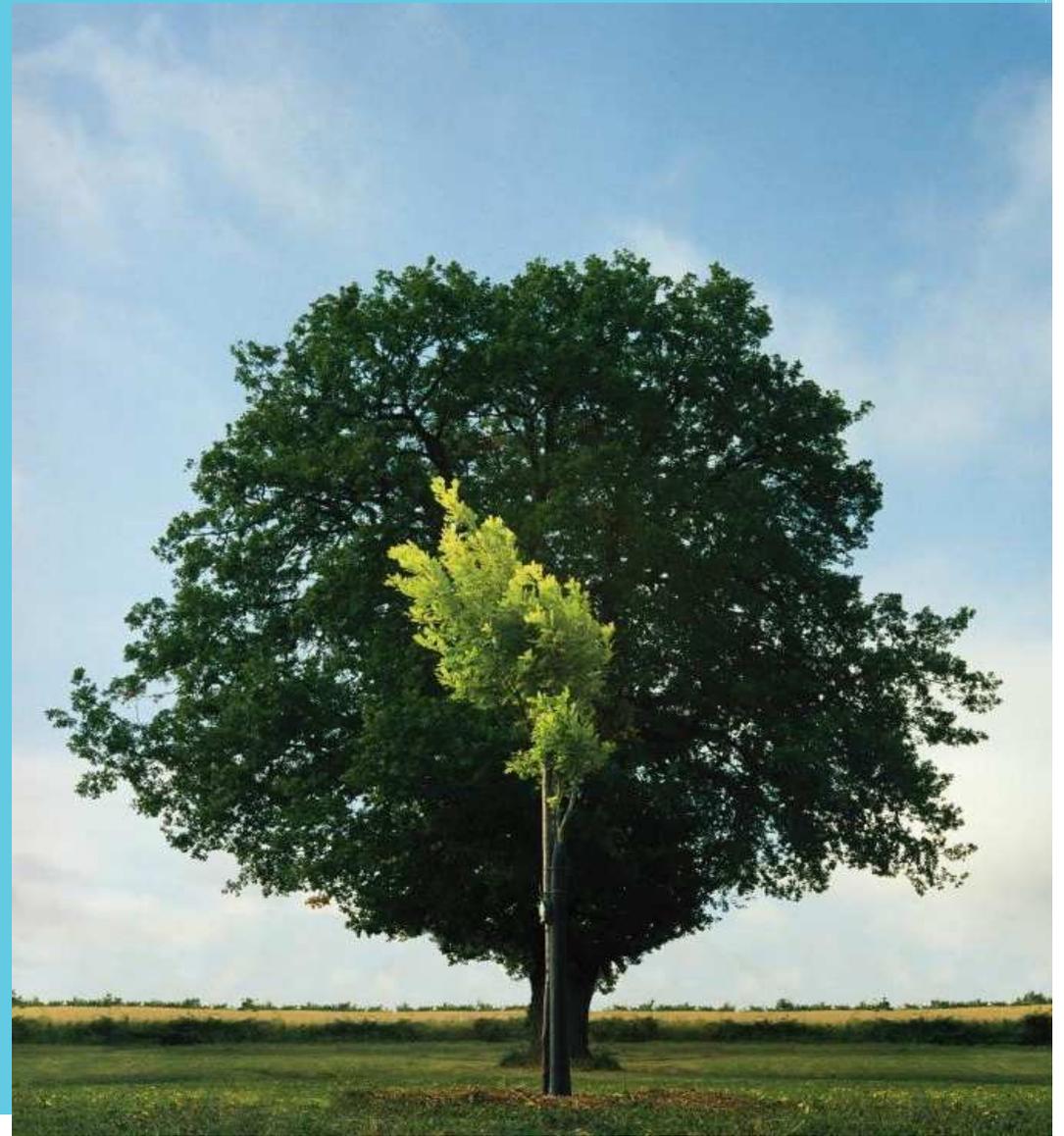
INDICATIVE INTERNAL AUDIT OPERATIONAL PLAN

We have detailed below our indicative operational audit plan, this covers some of the areas that we think will be important to you over the next year, or where an internal audit has not been carried out in the last three to four year cycle.

Area	2018-19	Risk Register Reference	Timing	Description of the Review
Operational Reviews				
Housing - Homelessness	20	Linked to Risk 10 / new risk area	Q4	Review of the Council's response to and in particular its fulfilment of its prevention duties under the Homelessness Reduction Act 2017 (HRA) which comes into effect April 2018.
Building Control	10	Internal Audit	Q1	Review of the Council's compliance with the Building Control Regulations, including the response to recommendations arising from the independent review undertaken by Dame Judith Hackett.
Planning	15	Internal Audit	Q1	Review of the Council's compliance with Planning Regulations, including a customer focus (how easy is the current application process to use, including uploading or providing required documentation) and monitoring of performance of the SLA in place with Thurrock Council.
PCI / DSS Compliance	15	Risk F9	Q2	Review of the adequacy and effectiveness of the plan put in place by the Council to manage the risk of failing to attain PCI DSS compliance across all of its payment options.
Total	60			
Audit Management				
Follow Up Work	10	All Risks	Ongoing	Rolling programme of follow up, including testing of high and medium risk recommendations.
Audit Management	20		Ongoing	Planning, reporting, attendance at meetings.
Contingency	10		As required	Time to allow increased scope and / or additional sample testing where further work is required.
Total	40			
GRAND TOTAL	275			

BRENTWOOD BOROUGH COUNCIL

INTERNAL AUDIT CHARTER



Internal Audit Charter - Role and Scope of Internal Audit

Purpose of this charter

This charter is a requirement of Public Sector Internal Audit Standards (PSIAS).

The charter formally defines internal audit's mission, purpose, authority and responsibility. It establishes internal audit's position within Brentwood Borough Council, and defines the scope of internal audit activities.

The charter shall be reviewed and approved annually by management and by the Audit Committee.

Internal audit's mission

Internal audit's mission is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

Standards of internal audit practice

To fulfil its mission, internal audit will perform its work in accordance with PSIAS, which encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF): Definition of Internal Auditing, Code of Ethics, and International Standards for the Professional Practice of Internal Auditing.

Internal audit definition and role

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Internal audit acts primarily to provide the Audit Committee with information necessary for it to fulfil its own responsibilities and duties. Implicit in internal audit's role is that it supports management to fulfil its own risk, control and compliance responsibilities. The range of work performed by internal audit is set out in PSIAS and not repeated here.

Internal audit's scope

The scope of internal audit activities includes all activities conducted by Brentwood Borough Council. The Internal Audit Plan sets out those activities that have been identified as the subject of specific internal audit engagements.

The provision of assurance services is the primary role for internal audit in the UK public sector. This role requires the chief audit executive to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control.

Assurance engagements involve the objective assessment of evidence to provide an independent opinion or conclusions regarding an entity, operation, function, process, system or other subject matter. The nature and scope of the assurance engagement are determined by internal audit.

Consulting engagements are advisory in nature and are generally performed at the specific request of management, with the aim of improving governance, risk management and control and contributing to the overall opinion. The nature and scope of consulting engagement are subject to agreement with management. When performing consulting services, internal audit should maintain objectivity and not assume management responsibility.

Effective internal audit

Our internal audit function is effective when:

- It achieves the purpose and responsibility included in the internal audit charter
- It conforms with the Standards
- Its individual members conform with the Code of Ethics and the Standards
- It considers trends and emerging issues that could impact the organisation.

The internal audit activity adds value to Brentwood Borough Council (and its stakeholders) when it considers strategies, objectives and risks, strives to offer ways to enhance governance, risk management and control processes and objectively provides relevant assurance.

Internal Audit Charter - Independence and objectivity

Independence and internal audit's position within Brentwood Borough Council

To provide for internal audit's independence, its personnel and external partners report to the Finance Director, who reports functionally to the Audit Committee. The Head of Internal Audit has free and full access to the Chair of the Audit Committee. The Head of Internal Audit reports administratively to the Director of Finance who provides oversight.

The appointment or removal of the Head of Internal Audit will be performed in accordance with established procedures and subject to the approval of the Chair of the Audit Committee.

The internal audit service will have an impartial, unbiased attitude and will avoid conflicts of interest. The internal audit service is not ordinarily authorised to perform any operational duties for Brentwood Borough Council.

In the event that internal audit undertakes non-audit activities, safeguards will be agreed to ensure that independence or objectivity of the internal audit activity are not impaired. This might include a separate partner review of the work or a different team undertaking the work. Approval of the arrangements for such engagements will be sought from the Audit Committee prior to commencement.

In the event that internal audit provides assurance services where it had previously performed consulting services, an assessment will be undertaken to confirm that the nature of the consulting activity did not impair objectivity and safeguards will be put in place to manage individual objectivity when assigning resources to the engagement. Such safeguards will be communicated to the Audit Committee.

Internal audit must be free from interference in determining the scope of internal auditing, performing work and communicating results. Should any interference take place, internal audit will disclose this to the Audit Committee to discuss the implications.

Internal audit's role in fraud, bribery and corruption

Management, not internal auditors are responsible for the prevention and detection of fraud, bribery and corruption. Auditors will, however, be alert in all their work to risks and exposures that could allow fraud or corruption as well as seeking to identify indications that fraud and corruption may have been occurring. Audit procedures alone, even when performed with due professional care, cannot guarantee that fraud and corruption will be detected. In the event that internal audit suspect a fraud, this will be referred to appropriate management in the first instance and then the audit committee.

Access to records and confidentiality

There are no limitations to internal audit's right of access to Brentwood Borough Council officers, records, information, premises, or meetings which it considers necessary to fulfil its responsibilities.

When the auditors receive confidential information about your affairs it shall at all times be kept confidential, except as required by law or as provided for in regulatory, ethical or other professional pronouncements applicable. All information will be maintained in line with appropriate regulations, for example the Data Protection Act 1998.

Coordination and reliance with other assurance providers

In co-ordinating activities internal audit may rely on the work of other assurance and consulting service providers.

A consistent approach is adopted for the basis of reliance and internal audit will consider the competency, objectivity, and due professional care of the assurance and consulting service providers. Due regard will be given to understanding of the scope, objectives and results of the work performed by other providers of assurance and consulting services.

Where reliance is placed upon the work of others, internal audit is still accountable and responsible for ensuring adequate support for conclusions and opinions reached by the internal audit activity.

Internal Audit Charter - Internal Audit Commitments

Internal audit's commitments to Brentwood Borough Council

Internal audit commits to the following:

- working with management to improve risk management, controls and governance within the organisation
- performing work in accordance with PSIAS
- complying with the ethical requirements of PSIAS
- dealing in a professional manner with Brentwood Borough Council staff, recognising their other commitments and pressures
- raising issues as they are identified, so there are no surprises and providing practical recommendations
- liaising with external audit and other regulators to maximise the assurance provided to Brentwood Borough Council
- reporting honestly on performance against targets to the Audit Committee.

Internal audit performance measures and indicators

The tables on the right contain some of the performance measures and indicators that are considered to have the most value in assessing the efficiency and effectiveness of internal audit.

The Audit Committee should approve the measures which will be reported to each meeting and / or annually as appropriate. In addition to those listed here we also report on additional measures as agreed with management and included in our Progress Report.

Quality assurance and improvement programme

As required by PSIAS an external assessment of the service will be performed at least every five years. BDO also has an internal quality assurance review process in place, which takes place annually. This is performed by a separate team independent to the internal audit team.

The results of internal and external assessments will be communicated to the Audit Committee as part of the internal audit annual report, along with corrective action plans.

Table One: Performance measures for internal audit

Measure / Indicator
<i>Audit Coverage</i> Annual Audit Plan delivered in line with timetable Actual days are in accordance with Annual Audit Plan
<i>Relationships and customer satisfaction</i> Customer satisfaction reports - overall score at least 70% for surveys issued at the end of each audit Annual survey to Audit Committee to achieve score of at least 70%
<i>Staffing and Training</i> At least 60% input from qualified staff
<i>Audit Reporting</i> Issue of draft report within 3 weeks of fieldwork `closing` meeting Finalise internal audit report 1 week after management responses to report are received.
<i>Audit Quality</i> Positive result from any external review

Internal Audit Charter - Management & Staff Commitments

Management and staff commitments to Internal Audit

The management and staff of Brentwood Borough Council commit to the following:

- providing unrestricted access to all of Brentwood Borough Council's records, property, and personnel relevant to the performance of engagements
- Being ready for internal audit at the time agreed in the terms of reference, to avoid delays in the process and the risk of additional internal audit fees being incurred
- responding to internal audit requests and reports within the agreed timeframe and in a professional manner
- implementing agreed recommendations within the agreed timeframe
- being open to internal audit about risks and issues within the organisation
- not requesting any service from internal audit that would impair its independence or objectivity
- providing honest and constructive feedback on the performance of internal audit

Management and staff performance measures and indicators

The following three indicators are considered good practice performance measures but we go beyond this and report on a suite of measures as included in each Audit Committee progress report.

Table Two: Performance measures for management and staff

Measure / Indicator
<p>Response to Reports</p> <p>Audit sponsor to respond to terms of reference within one week of receipt and to draft reports within two weeks of receipt</p>
<p>Implementation of recommendations</p> <p>Audit sponsor to implement audit recommendations within the agreed timeframe</p>
<p>Co-operation with internal audit</p> <p>Internal audit to confirm to each meeting of the Audit Committee whether appropriate co-operation has been provided by management and staff</p>

BDO contacts

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