BRENTWOOD BOROUGH COUNCIL

INTERNAL AUDIT ANNUAL REPORT AND STATEMENT OF ASSURANCE

2017/18

BDO

CONTENTS

EXECUTIVE SUMMARY

Internal Audit 2017/18

This report details the work undertaken by internal audit for Brentwood Borough Council and provides an overview of the effectiveness of the controls in place for the full year. The following reports have been issued for this financial year:

Capital Projects	Insurance
Community Halls Viability	Main Financial Systems
Customer Service	Minimum Reserve Levels
Environment	Parking Strategy and Payment Collection
Financial Planning and Budget Monitoring	Partnerships
Housing Services	Risk Management
Housing Benefit Shared Service	Taxi Driver Licensing
Information Security Assessment	

We have detailed the opinions of each report and key findings on pages four to fourteen. Our internal audit work for the 12 month period from 1 April 2017 to 31 March 2018 was carried out in accordance with the internal audit plan approved by management and the Audit Committee. The plan was based upon discussions held with management and was constructed in such a way as to gain a level of assurance on the main financial and management systems reviewed. There were no restrictions placed upon the scope of our audit and our work complied with Public Sector Internal Audit Standards.

Head of Internal Audit Opinion

The role of internal audit is to provide an opinion to Members, through the Audit Committee (AC), on the adequacy and effectiveness of the internal control system to ensure the achievement of the organisation's objectives in the areas reviewed.

The approved plan has been delivered in its entirety by internal audit. In agreement with management, the cyber security and IT disaster recovery audits were combined into the information security assessment, to establish key areas where the council can further develop its controls. An additional audit of taxi driver licensing was undertaken to address concerns raised by members.

The annual report from internal audit provides an overall opinion on the adequacy and effectiveness of the council's risk management, control and governance processes, within the scope of work undertaken by our firm as outsourced providers of the internal audit service. It also summarises the activities of internal audit for the period.

Opinion

The basis for forming my opinion is as follows:

- An assessment of the design and operation of the underpinning risk management arrangements and supporting processes;

- An assessment of the range of individual opinions arising from risk based audit assignments contained within internal audit risk base plans that have been reported throughout the year. This assessment has taken account of the relative materiality of these areas and management's progress in respect of addressing control weaknesses; and

- Any reliance that is being placed upon third party assurances.

Overall, we are able to provide moderate assurance that there is a sound system of internal control, designed to meet the Council's objectives and that controls are being applied consistently. In forming our view we have taken into account that:

- The Council has performed broadly in line with budget regarding financial performance. The Council has shown strong financial management with moderate / substantial and substantial assurance opinions provided in this year's audits on the financial planning and budget monitoring and capital projects respectively.

- The Council's record in implementing audit recommendations requires some improvement. Whilst management are proactive in discussing plans to address the risks identified in audits, there is a lack of engagement when internal audit follow up recommendations, although we have been able to establish that 48% of recommendations due have been implemented.

- 47% of audits received limited or part limited assurance. These included car parking and payment collection, environment and community halls viability, and the key areas of risk management, main financial systems, housing and partnerships, although the main financial systems issues were mainly contractual.

- While we have given moderate assurance, this has been a more marginal decision than previous years and we have noted a deterioration in the controls environment as new arrangements are taking time to bed down. However, management have responded positively to our reports and if the improvements required are implemented this will support an improved position in 2018/19.

REVIEW OF 2017/18 WORK

Reports Issued	Recommendations and significance			Overall Report Conclusions (see Appendix I)		Summary of Key Findings / Recommendations
	H	M	L	Design	Operational Effectiveness	
Capital Projects	0	0	2	Substantial	Substantial	**Good Practice** • As part of the budget monitoring process, capital projects are reviewed on a monthly basis by the budget holder and appropriate accountant and progress reports are on a six-monthly basis to the Ordinary Council and reported as part of the outturn report for the financial year. • The Council uses the Collaborative Planning (CP) spreadsheet with a RAG (Red/Amber/Green) rating system to record the financial position of each project following monthly Corporate Leadership • There is a clear governance structure that is adhered to, whereby each project reports to CLB. There is a separate project board for the Town Hall project due to its financial size and importance • The Town Hall project has its own Risk Register, which is detailed with risk scores and responsible risk owners. likelihood ratings, mitigating factors, reviewed risk ratings and colour RAG ratings. The council has also employed a project management firm to manage the works • Quarterly meetings of the Star Chamber run through the budget as a whole, as well as the Policy Projects and Resources (PPR) committee who meet monthly.
Community Halls Viability	2	3	2	Limited	Limited	**Key Areas for Improvement** • The Council needs to undertake further work to ensure that the financial information on running the Community Halls is adequate enough for members to be able to make an informed decision. Our audit found significant variances between income and expenditure totals reported in the statutory accounts, reported to the Charity Commission, and the management accounts supplied by Brentwood Leisure Trust (BLT) to the Council • Until a decision is made on the future management of the halls, further monitoring is required of the financial performance of BLT and ensuring that information required as part of the Service Level Agreement is received and reviewed on the agreed basis • The Council should Introduce more formality into the community halls project for establishing the future management of community halls including compiling a project plan to cover all aspects of the project, with clear outcomes, set deadlines and a risk register, all of which should be monitored and updated on a regular basis • Monitoring of the condition of the six community halls on a regular basis is necessary to ensure that BLT is meeting the requirements of its lease to ensure that the halls are maintained to a good standard.

REVIEW OF 2017/18 WORK

Reports Issued	Recommendations and significance			Overall Report Conclusions (see Appendix I)		Summary of Key Findings / Recommendations
	H	M	L	Design	Operational Effectiveness	
Customer Services	0	4	0	Moderate	Moderate	**Good Practice** • The Digital Services Team maintains a basic project tracker detailing the projects they are working on and record the actual start and completion dates against the planned dates and resource hours required and actual to date. • The Council has adopted a new approach to Customer Services and Channel Shift and has already created a Service Improvement Team who are undertaking reviews of services requirements to finalise the Service Improvement Programme and Customer Services Strategy • The Council has already taken action in using the Firmstep platform and has uploaded over 200 on-line forms for the public to use. **Key Areas for Improvement** • The Council does not have a Channel Shift Policy to outline how it intends to use new technologies or a cross council group to manage the policy. However, it is noted a new Project Board has been created to cover all departments and a new Service Improvement Team is in place to start addressing the Channel Shift issues. There was no evidence that progress against the Customer Access Strategy was regularly reported to Senior Management • There were no business cases or summaries for the projects being worked on by the Digital Services Team, detailing the reason for the project, costs, stakeholders and planned implementation dates, to provide clarity on outcomes, how the project aligns to the Customer Access Strategy, stakeholder engagement and the financial and resources impact on the Council. There has been no effective targeting of services to establish a plan of needs and priorities as the Digital Services Team's priorities over the last eight months were to ensure the Council's electronic forms were set up on the new platform before the old one was switched off to avoid the risk of on-line payments and enquiries not being available to the public • Whilst statistical packs are sent to departments that analyse customer contact through electronic measures, telephone or face to face, there are no action plans in place to demonstrate how departments are using these packs in considering channel shift • Evidence is not always available to demonstrate that external partners have been engaged in future projects and their feedback been sought to help guide a project forward to a digitalised platform.

REVIEW OF 2017/18 WORK

Reports Issued	Recommendations and significance			Overall Report Conclusions (see Appendix I)		Summary of Key Findings / Recommendations
	H	M	L	Design	Operational Effectiveness	
Environment	0	4	0	Limited	Moderate	**Key Areas for Improvement** • There is no formal process for monitoring or reviewing of staff compliance with health and safety procedures • The risk assessments do not specify implementation dates for additional actions • There is no formal health and safety monitoring system in place which automatically collates and monitors all data, such as the number of incidents Council-wide or departmentally, broken down into the type of incident occurred. • Overall, we could not provide assurance that some controls were operating in practice due to a lack of recorded evidence. From discussion with key members of staff, the risks were known and were being addressed, however no formal record was being maintained to provide assurance that the risks were being addressed through an adequate control framework.
Financial Planning and Budget Monitoring	0	2	0	Moderate	Substantial	**Good Practice** • Savings targets are set appropriately with reference to overarching targets and based upon documented assumptions • The budget setting process and proposed savings are discussed and recorded • Income assumptions are reviewed regularly by the link accountants • The controls currently in place for financial planning and budget monitoring are being consistently applied across all departments • Saving targets have been appropriately discussed and assigned to relevant budget holders • Budget monitoring meetings are being held on a regular basis • Budget challenge meetings are being held on a regular basis • Appropriate information is being communicated to the relevant boards and committees to allow decisions to be made • The medium term financial plan is updated regularly to reflect changing circumstances and previous financial results. **Key Areas for Improvement** • There is currently no formal way of documenting the monthly budget holder meetings between budget holders and link accountants, and there is no interim review and sign off for individual budgets. • There is no formal process for identifying, monitoring and following up on issues arising from the quarterly budget challenge meetings.

REVIEW OF 2017/18 WORK

Reports Issued	Recommendations and significance			Overall Report Conclusions (see Appendix I)		Summary of Key Findings / Recommendations
	H	M	L	Design	Operational Effectiveness	
Housing Services	2	6	1	Limited	Moderate	**Good Practice** • The Housing team provide reports on Housing assets to the Finance Team monthly, and the Finance Team have performed a detailed check of the Finance Asset Register to the properties recorded on the Orchard System, and plan to repeat this check annually • Rents are determined through calculations applied to source data from the Orchard system on properties, and through application of policies and transitional arrangements using the Rent Model. Invoices for rent due are produced promptly and checked by the Housing team prior to the new year rents becoming due • Tenants are offered a variety of methods to pay their rent. **Key Areas for Improvement** • Housing records are dispersed, many records are maintained in paper form, and records and information management does not accord with best practice guidelines. There is scope to develop the current retention guidelines, introduce records management protocols, review arrangements for storage and retrieval of records, and ensure that staff are aware of the requirements of the Data Protection Act and new General Data Protection Regulations. • The Council does not have an Estates Management Strategy, and estates inspections had lapsed. • There is a need to clarify the arrangements for allocation of Council properties between the HRA and General Fund and review current allocations, to provide clarity over roles and responsibilities between the Housing and Assets team, and review the format of asset related records. • Protocols for cyclical and responsive repairs have not been defined. • There is scope to review the Anti Social Behaviour Strategy (ASB) and to link it to the Community Safety and Housing pages on the Council's website. There is also scope to review the format of ASB records. • Records of vulnerable tenants and those with enacted Lasting Power of Attorney are not currently easily accessible. • The process of uploading tenant payments made via All Pay should be automated. • Accounts in credit are not subject to regular checks by Housing staff, giving due consideration to fraud risks.

REVIEW OF 2017/18 WORK

Reports Issued	Recommendations and significance			Overall Report Conclusions (see Appendix I)		Summary of Key Findings / Recommendations
	H	M	L	Design	Operational Effectiveness	
Housing Benefit Shared Service	0	2	0	**Moderate**	**Moderate**	**Good Practice** • Four weekly reconciliations are conducted by the Subsidy Officer (Basildon Borough Council) of the claimable subsidy to the benefits paid to claimants • Brentwood Council project governance arrangements have been established to support implementation of significant projects • Payment processes include communication between Basildon and Brentwood Councils, and checks on and authorisation of payment files **Key Areas for Improvement** • Manual checks are conducted on high value Benefit payments and on Council Tax, these checks are to be extended to benefit claim processing and amendment. Automated checks were delayed pending system development to support multi site working. • Reconciliations of Benefit payments to the Ledger have not been completed since July 2017. Brentwood and Basildon Council are working to enable Basildon Council staff to complete reconciliations for Brentwood Benefits payments.
Information Security Assessment **DRAFT**	10 advisory recommendations were raised in the report			**Advisory Review** **Direction of Travel - Action is required to address a number of areas that could undermine the provision of IT services to the Council.**		**Good Practice** • The Council's IT governance controls pertaining to IT Strategy, management, roles and responsibilities are in place. • The Council has a corporate risk management process • All the Information security policies are reviewed and updated from July 2017. • The Council has a defined business continuity and disaster recovery plan from July 2017. • The Council has a defined procedure for user access management of starters, movers and leavers. **Key Areas for Improvement** • There is no information security training being conducted across the Council. • There are no procedures for subject access requests and freedom of information. • The Council do not have effective IT Asset management controls, e.g. no formal IT asset register. • There is no defined Information Classification policy and no building access controls • There have been no penetration tests performed post migration to the Cloud environment. • There has been no testing performed of business continuity and disaster recovery arrangements

REVIEW OF 2017/18 WORK

Reports Issued	Recommendations and significance			Overall Report Conclusions (see Appendix I)		Summary of Key Findings / Recommendations
	H	M	L	Design	Operational Effectiveness	
Insurance	0	3	3	Moderate	Moderate	**Good Practice** • During our testing we found no exceptions with regard to the timeliness of initial claim forms sent to the insurer • The Risk and Insurance Officer works closely with the Corporate Health and Safety Advisor to identify trends in claims, and devise solutions to mitigate the risk of such claims • The Council has thorough insurance covering all relevant areas including newer risks such as terrorism and cyber related risks • A corporate risk register and departmental risk registers are maintained, and risks are reported quarterly to the Corporate Leadership Board. **Key Areas for Improvement** • During our testing we found one claim where a Council employee had accepted liability without first checking that it related to a Council owned property, at a potential additional cost of £350. • There had been no training given to staff in relation to the Insurance Act 2015 over the past two years. • We found some weaknesses in the use of the ClaimControl system, such as delays in reporting information. • During our testing we found two examples of a delay in providing the insurer with requested information, and one instance where no settlement letter was evidenced.
Minimum Reserve Levels	0	1	0	Substantial	Moderate	**Good Practice** • The Council performs an annual risk assessment of Reserves, which demonstrates that new risks are recognised and incorporated into the assessment, and values and risk levels are reassessed • An annual report to the Council explains the processes followed to determine appropriate levels of reserves and provides assurance by the S151 Officer of the levels of reserves applied • The Council has separately identified Earmarked Reserves relevant to specific areas of activity and risk. **Key Areas for Improvement** • There is potential to capture forecast significant financial risks in the Reserves Risk Assessment, to provide clarity over the financial impact of risks within the Corporate Risk Register and to identify the sources of information used in determining the Reserve Risks within working papers to support the risk assessment.

REVIEW OF 2017/18 WORK

Reports Issued	Recommendations and significance			Overall Report Conclusions (see Appendix I)		Summary of Key Findings / Recommendations
	H	M	L	Design	Operational Effectiveness	
Main Financial Systems	2	7	3	Moderate	Limited	**Good Practice** • General Ledger reconciliations were carried out on a monthly basis and there was a segregation of duty with regards to preparation and review of reconciliations. • General Ledger user access is reviewed on an annual basis and the individuals with access at the time of the audit had appropriate access for their job roles. • Billing was timely for NNDR properties added to the CIVICA system. • Council Tax properties were being charged in compliance with the Council's legislation and schemes. **Key Areas for Improvement** General Ledger • Reconciliations are not reviewed in a timely manner. Payroll • Due to the outsourced Human Resources and Payroll Provider failing to produce the requested information, we were unable to undertake the full range of payroll testing and could only review if starters and leavers were added or removed from the payroll in a timely manner. However, there are mitigating controls in Finance to ensure payroll is accurate. • We were unable to confirm controlled access to the payroll database as no information concerning those with access was supplied by the contractor. • Starters are not added to the Payroll in a timely manner. Council Tax and NDR • Council tax and NDR refunds are not authorised before being processed, including one for over £100,000 • No policy is in place for the management, monitoring and authorisation of the Council Tax and NDR suspense account payments • NDR discounts and exemptions granted do not include the supporting documentation to confirm they are eligible • Reconciliations with the Valuation Office Agency are not appropriately authorised or completed in a timely manner • Monitoring and billing of new properties are not completed in a timely manner • We were unable to confirm controlled access to the database as Basildon Council failed to supply relevant information during the audit. Therefore we could not confirm only authorised access is allowed. Payments and Creditors • Purchase orders are not being raised for all purchases of goods/services. • Purchases on the procurement card were not fully compliant with the Council's policy.

REVIEW OF 2017/18 WORK

Reports Issued	Recommendations and significance			Overall Report Conclusions (see Appendix I)		Summary of Key Findings / Recommendations
	H	M	L	Design	Operational Effectiveness	
Car Parks and Parking Collection	4	3	2	Limited	Limited	**Good Practice** • Parking charges are clearly displayed in the Council's car parks and on the Council's website • The parking machines used by the Council can identify and reject fake coins • Serial numbers on coin collection bags are recorded before being handed over to G4S • Parking Fees are approved by the Policy, Projects and Resources Committee on an annual basis. **Key Areas for Improvement** • The Finance Team is unable to reconcile income from pay and display machines or for season tickets/permits to the Council's bank account • The Council does not meet compliance standards for taking payments securely, and there was no evidence of secure payment methods for contracted administrators Bemrose/phone and pay and Parkeon • No evidence of compliance with PCI DSS to ensure secure payment systems are in place • Receipts relating to the counting of cash collected from machines are not recorded accurately • Expected income from Phone and Pay cannot be reconciled to income received • Season ticket/permit prices are incorrect on the Chipside system and approved discounts levels are not clear • Electronic season tickets/permits are not deactivated before refunds are being issued

REVIEW OF 2017/18 WORK

Reports Issued	Recommendations and significance			Overall Report Conclusions (see Appendix I)		Summary of Key Findings / Recommendations
	H	M	L	Design	Operational Effectiveness	
Partnerships	0	7	1	Moderate	Limited	**Good Practice** • The Council's Partnerships policy and guidance includes template risk assessments and Terms of Reference which ensures a robust and consistent approach to joining partnerships • The Council has prepared guidance which defines partnerships, to support governance of partnerships and establish when it is appropriate to form a partnership • The Revenues and Benefits Service monitors performance indicators using the Covalent system. **Key Areas for Improvement** • The Council has created a new framework , the 'Partnership Policy and Procedures 2017', however this has not been applied to existing partnerships and there is no clear date for implementation. Furthermore the Council's Partnership Register does not contain all of the information required, as specified in the Council's new policy. • We reviewed four of the Council's existing partnerships and found that insufficient assessment of risks and benefits of joining the partnership, including governance arrangements, and financial and resource risks had been carried out. • Of the four partnerships we reviewed, we were only able to obtain evidence of one of the partnerships having been approved. • We reviewed the governance arrangements for four of the Council's existing partnerships and found that one of the partnerships did not have a responsible office or lead, and therefore we were unable to sufficiently review the partnership. We also found that none of the partnerships had clear governance structures or arrangements in place. • Of the four partnerships we tested, we found that none of the partnerships had been reviewed since the partnerships had been formed. • Of the four partnerships reviewed we found that none had defined roles and responsibilities within their Terms of Reference, Partnership Agreements, or similar documents. • There is no formal process in place to monitor the Revenues and Benefits Shared Service performance, or action plans where targets have not been met.

REVIEW OF 2017/18 WORK

Reports Issued	Recommendations and significance			Overall Report Conclusions (see Appendix I)		Summary of Key Findings / Recommendations
	H	M	L	Design	Operational Effectiveness	
Risk Management	1	2	1	Limited	Moderate	**Good Practice** • Since the last review in 2016 further resources have been provided to support risk management within the Council, such as the use of Microsoft SharePoint to aid in the update and accessibility of the risk registers • Risk registers are formally updated every quarter, with all strategic risks reported to both the Corporate Leadership Board and the Audit Committee in order to review progress • The Risk and Insurance Officer has developed a Risk Management Training module which is currently in the process of being made available via the Council's e-learning system and will be required to be completed by all members of staff • A Risk Management Handbook is in place within the Council which provides guidance and advice to all staff as well as an in-depth Insurance and Risk Management Strategy. **Key Areas for Improvement** • Risk management is still in the process of being embedded with a number of practices yet to be taken to further embed processes. We identified a lack of consistent engagement at all levels of the Council • Clear processes are not in place with regards to risk identification. There is a lack of forums within departments to regularly challenge, discuss and review current and potential risks • There is a lack of oversight and review of all forms of risk and their relevant risk registers with reviews not happening in accordance with the Strategy • Risks are not being clearly described in all cases with key information such as target scores not recorded. We identified cases where target dates for mitigation had passed, indicating a lack of oversight.

REVIEW OF 2017/18 WORK

Reports Issued	Recommendations and significance			Overall Report Conclusions (see Appendix I)		Summary of Key Findings / Recommendations
	H	M	L	Design	Operational Effectiveness	
Taxi Driver Licensing	0	2	0	Moderate	Moderate	**Good Practice** • Costs coded to the Driver Trading Account in 2016-17 could be substantiated and income relating to 2016-17 had been properly accounted for • Expenditure budgets assigned to the Driver Trading Account for 2017-18 were supported by working papers and income assumptions appeared reasonable and were supported by working papers • An end of year adjustment to the Driver Trading Account will be undertaken to reflect actual Corporate Overhead costs and Licensing Team support costs, in line with usual Council practice • Timesheets have been reintroduced since 31 July 2017 to support the percentage allocations to the Driver Trading Account of the Licensing Team and support costs and the various Corporate overheads. **Key Areas for Improvement** • In respect of some Licensing Team costs, a virement to the current budget within the finance system following in-year review of the budgets set has not yet been amended to the spreadsheet supporting the Driver Trading Account. • Timesheet monitoring needs to be aligned the regular meetings between the Principal l Licensing Officer and the Taxi Trade Consultancy Group and should be undertaken until such time as the fluctuations of activity can be determined with certainty.
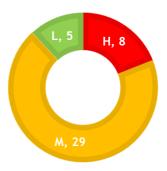
SUMMARY OF FINDINGS
RECOMMENDATIONS AND ASSURANCE DASHBOARD
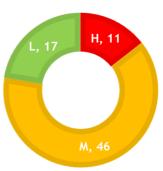
2016/17	2017/18
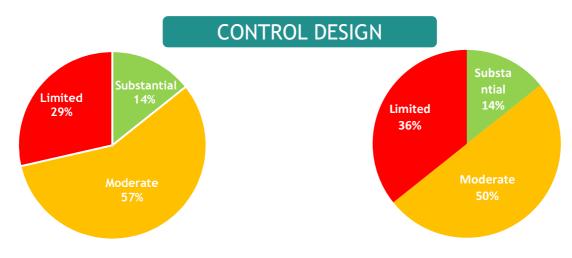
The number of recommendations raised and their significance over 2016-17 and 2017-18 are set out below:

L, 5   H, 8
M, 29

L, 17   H, 11
M, 46
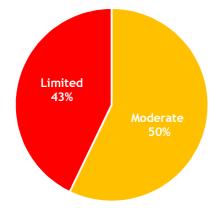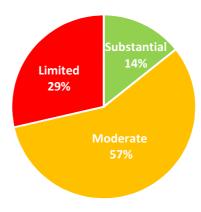
In 2017-18 we raised an average of five recommendations per assurance audit as compared to six in 2016-17. Whilst the proportion of high and medium priority recommendations has decreased from 19% to 14% and from 69% to 62% respectively, the eleven high recommendations made during the year reflect some significant weaknesses in the control environment.

We also provide an overall opinion on both the design and operational effectiveness of the controls operating over the areas we review when we are providing assurance. The assurance levels given during 2016-17 and 2017-18 are set out below. The proportion of limited opinions with regards to the control design has increased from 29% to 36%, although the control effectiveness overall as improved.

CONTROL DESIGN

Limited 29%   Substantial 14%
Moderate 57%

Limited 36%   Substantial 14%
Moderate 50%

CONTROL EFFECTIVENESS

Limited 43%
Moderate 50%

Limited 29%   Substantial 14%
Moderate 57%

ADDED VALUE

How we have added value during the year

USE OF SPECIALISTS

We have used our IT specialists to deliver the Information Security Assessment.

RESPONSIVENESS-

We have been able to adapt our audit plan to address your emerging risks such as the inclusion of the review of taxi driver licensing.

BENCHMARKING AND BEST PRACTICE

We have shared best practice examples from our clients and other local government organisations in a number of our reviews. We have also performed benchmarking exercises in a number of audits. We have performed this in approximately 75% of our reviews.

INNOVATION

We have used our audit days innovatively to support the Council in achieving its aims e.g. by using data analytics where possible in the main financial systems audit.

BACKGROUND TO ANNUAL OPINION

Introduction

Our role as internal auditors to Brentwood Borough Council is to provide an opinion to the Board, through the Audit Committee (AC), on the adequacy and effectiveness of the internal control system to ensure the achievement of the organisation's objectives in the areas reviewed. Our approach, as set out in the firm's Internal Audit Manual, is to help the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Our internal audit work for the 12 month period from 1 April 2017 to 31 March 2018 was carried out in accordance with the internal audit plan approved by management and the Audit Committee, adjusted during the year for any emerging risk issues. The plan was based upon discussions held with management and was constructed in such a way as to gain a level of assurance on the main financial and management systems reviewed. There were no restrictions placed upon the scope of our audit and our work complied with Public Sector Internal Audit Standards.

The annual report from internal audit provides an overall opinion on the adequacy and effectiveness of the organisation's risk management, control and governance processes, within the scope of work undertaken by our firm as outsourced providers of the internal audit service. It also summarises the activities of internal audit for the period.

Scope and approach

Audit Approach

We have reviewed the control policies and procedures employed by Brentwood Borough Council to manage risks in business areas identified by management set out in the 2017-18 Internal Audit Annual Plan approved by the Audit Committee. This report is made solely in relation to those business areas and risks reviewed in the year and does not relate to any of the other operations of the organisation. Our approach complies with best professional practice, in particular, Public Sector Internal Audit Standards, the Chartered Institute of Internal Auditors' Position Statement on Risk Based Internal Auditing.

We discharge our role, as detailed within the audit planning documents agreed with Brentwood Borough Council management for each review, by:

- Considering the risks that have been identified by management as being associated with the processes under review

- Reviewing the written policies and procedures and holding discussions with management to identify process controls

- Evaluating the risk management activities and controls established by management to address the risks it is seeking to manage

- Performing walkthrough tests to determine whether the expected risk management activities and controls are in place

- Performing compliance tests (where appropriate) to determine that the risk management activities and controls have operated as expected during the period.

BACKGROUND TO ANNUAL OPINION

The opinion provided on page 3 of this report is based on historical information and the projection of any information or conclusions contained in our opinion to any future periods is subject to the risk that changes may alter its validity.

Coverage

During 2017-18 BDO LLP has reviewed and evaluated Brentwood Borough Councils processes in the following areas:

Capital Projects	Insurance
Community Halls Viability	Main Financial Systems
Customer Service	Minimum Reserve Levels
Environment	Parking Strategy and Payment Collection
Financial Planning and Budget Monitoring	Partnerships
Housing Services	Risk Management
Housing Benefit Shared Service	Taxi Driver Licensing
Information Security Assessment	

Reporting mechanisms and practices

Our initial draft reports are sent to the key officer responsible for the area under review in order to gather management responses. In every instance there is an opportunity to discuss the draft report in detail. Therefore, any issues or concerns can be discussed with management before finalisation of the reports.

Our method of operating with the Audit Committee is to agree reports with management and then present and discuss the matters arising at the Audit Committee meetings.

Management action on our recommendations

Management have generally been conscientious in reviewing and commenting on our reports. For the reports which have been finalised, management have responded positively. The responses indicate that appropriate steps to implement our recommendations are expected.

Recommendation follow-up

Implementation of recommendations is a key determinant of our annual opinion. If recommendations are not implemented in a timely manner then weaknesses in control and governance frameworks will remain in place. Furthermore, an unwillingness or inability to implement recommendations reflects poorly on management's commitment to the maintenance of a robust control environment.

Management have generally implemented findings within a timely manner although we believe this can be enhanced within the coming year.

A total of 52 recommendations were raised in 2016/2017 and of these, 49 were eligible for follow up (medium or high recommendations). 46 (94%) of these recommendations eligible for follow up have been implemented and three (6%) are overdue.

A total of 74 recommendations were raised in 2017/2018 and of these, 57 were eligible for follow up (medium or high recommendations). Of these 21 (19 medium and 2 high recommendations) were due to have been implemented by 31 March 2018. Of the 21 recommendations 10 (48%) have been implemented, 11 (52%) are in currently in progress with revised dates.

Relationship with external audit

All our final reports are available to the external auditors through the Audit Committee papers and are available on request. Our files are also available to external audit should they wish to review working papers to place reliance on the work of internal audit.

BACKGROUND TO ANNUAL OPINION

As the internal auditors of Brentwood Borough Council we are required to provide the Audit Committee, and the Director with an opinion on the adequacy and effectiveness of risk management, governance and internal control processes, as well as arrangements to promote value for money.

In giving our opinion it should be noted that assurance can never be absolute. The internal audit service provides Brentwood Borough Council with limited assurance that there are no major weaknesses in the internal control system for the areas reviewed in 2017-18. The statement of assurance is not a guarantee that all aspects of the internal control system are adequate and effective. The statement of assurance should confirm that, based on the evidence of the audits conducted, there are no signs of material weaknesses in the framework of control.

In assessing the level of assurance to be given, we have taken into account:

• All internal audits undertaken by BDO LLP during 2017-18

• Any follow-up action taken in respect of audits from previous periods for these audit areas

• Whether any significant recommendations have not been accepted by management and the consequent risks

• The effects of any significant changes in the organisation's objectives or systems

• Matters arising from previous internal audit reports to Brentwood Borough Council

• Any limitations which may have been placed on the scope of internal audit – no restrictions were placed on our work

INTERNAL AUDIT OPERATIONAL PLAN

Name of Review	Days in Plan	Planning	Field-work	Final Report	Reported to Audit Committee	Opinion Design & Operational Effectiveness	
Capital Projects	15	✔	✔	✔	March 2018	Substantial	Substantial
Community Halls Viability	15	✔	✔	✔	September 2017	Limited	Limited
Customer Services	10	✔	✔	✔	June 2018	Moderate	Moderate
Environment	15	✔	✔	✔	June 2018	Limited	Moderate
Financial Planning and Budget Monitoring	15	✔	✔	✔	January 2018	Moderate	Substantial
Housing Services	20	✔	✔	✔	January 2018	Limited	Moderate
Housing Benefit Shared Service	10	✔	✔	✔	March 2018	Moderate	Moderate
Information Security Assessment	25	✔	✔	DRAFT	June 2018	Advisory	
Insurance	10	✔	✔	✔	September 2017	Moderate	Moderate
Main Financial Systems	40	✔	✔	✔	June 2018	Moderate	Limited
Minimum Reserve Levels	10	✔	✔	✔	January 2018	Substantial	Moderate
Parking and Car Parks Collection	10	✔	✔	✔	June 2018	Limited	Limited
Partnerships	15	✔	✔	✔	January 2018	Moderate	Limited
Risk Management and Governance	10	✔	✔	✔	June 2018	Limited	Moderate
Taxi Driver Licensing	10	✔	✔	✔	March 2018	Moderate	Moderate

KEY PERFORMANCE INDICATORS

Quality Assurance	Detail on KPI's	RAG Rating 2017-18
• High quality documents produced by the auditor that are clear and concise and contain all the information requested.	No survey responses have been received for 2017-18. However, in light of our reappointment we infer that the Council overall considers our service to be of high quality and meeting expectations	Green
• Frequent communication to the customer of the latest mandatory audit standards and professional standards prescribed by the main accountancy bodies.	Sector updates are provided within the Audit Committee progress report, new internal audit charter issued.	Green
Reporting Arrangements		
• The auditor attends the necessary, meetings as agreed between the parties at the start of the contract	All meetings attended including Audit Committee meetings, pre-meetings, individual audit meetings, contract reviews and monthly catch ups.	Green
• Information is presented in the format requested by the customer.	No requests to change the BDO format.	N/A
Audit Protocol		
• Customer satisfaction reports – overall score at average at least 3.5 / 5 for surveys issued at the end of each audit.	No survey responses have been received for 2017-18.	N/A
• Annual survey to Audit Committee to achieve score of at least 70%	A new survey is being developed, to be issued in May 2018	N/A
• External audit can rely on the work undertaken by internal audit (where planned)	External Audit has indicated that their strategy and approach has changed where no reliance could be place on our work.	N/A
• Annual Audit Plan delivered in line with timetable • Actual days are in accordance with Annual Audit Plan	Planned number of audit days in line with those agreed with Audit Committee. Only one audit was delivered in quarter one in 2017-18, when the plan was to deliver three. This has been addressed in 2018-19.	Amber

KEY PERFORMANCE INDICATORS

Delivery	Detail on KPI's	RAG Rating 2017-18
• Draft report to be produced 3 weeks after the end of the fieldwork	All draft report have been issued within 3 weeks of the closing meeting. This has on some occasions been after the end of the onsite fieldwork.	Green
• Management to respond to internal audit reports within 3 weeks	Management responses have not been received within 3 weeks for the majority if audits, this is an area that needs to be improved in 2018-19 through working with management.	Amber
• Final report to be produced 1 week after management responses	All final reports have been issued within one week of receipt of management response.	Green
• 90 % recommendations to be accepted by management	This target has been met.	Green
• At least 60% input from qualified staff	All audits have been led by a qualified senior auditor.	Green
• Positive result from any external review	Following an External Quality Assessment by the Institute of Internal Auditors in April 2015, BDO were found to 'generally conform' (the highest rating) to the International Professional Practice Framework and Public Sector Internal Audit Standards.	Green

APPENDIX 1
OPINION AND RECOMMENDATION SIGNIFICANCE DEFINITION

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.

FOR MORE INFORMATION:

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