



# **BRENTWOOD BOROUGH COUNCIL INTERNAL AUDIT PROGRESS REPORT**

**Presented to the Audit and Scrutiny Committee 17 October 2018**

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# SUMMARY OF 2018/19 WORK

## Purpose of Report

This report is intended to inform the Audit and Scrutiny Committee of progress made against the 2018/19 internal audit plan. 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 Appendix 1 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.

For audits with a substantial or moderate assurance opinion, the executive summaries from the final report will be included in the Internal Audit Progress Report.

For audits with a limited or no assurance opinion, the full report will be included with the papers.

## 2018/19 Internal Audit Plan

The following reports have been finalised, and the executive summaries are included in this report:

- Commercialisation
- Building Control
- Planning

The following audits are in progress or due to take place in Q3 and will be presented to the next Audit and Scrutiny Committee meeting on 23 January 2018:







- Corporate Projects
- Local Development Plan
- PCI / DSS Compliance
- Workforce Strategy and Organisational Structure

## Changes to the Plan

There have been no changes made to the audits within the approved internal audit plan for 2018/19. Management has requested changes to the timings of the two audits below:

- Disaster Recovery and Business Continuity - moved from Q2 to Q4 (to allow for arrangements with Basildon Council to be confirmed and in operating)
- General Data Protection Regulations - moved from Q2 to Q4 (to allow for the new systems and process to become embedded, and provide a sufficient basis for audit testing)

# REVIEW OF 2018/19 WORK

Audit	Executive Lead	Due Date	Planning	Fieldwork	Reporting	Design	Effectiveness	
Risk Management and Governance Arrangements	Sue White	Q4 Jan 2018	✓ Scoping meeting					
Main Financial Systems	Phoebe Barnes	Q3/ Q4 Dec 2017	✓ Scoping meeting					
Disaster Recovery and Business Continuity	Sue White	Q4 Mar 2019	✓ Draft ToR					
General Data Protection Regulations	Daniel Toohey	Q4 Mar 2019	✓					
Local Development Plan	Phil Drane	Q3 Dec 2018	✓ Draft ToR					
Commercial Activities	Chris Leslie	Q1/Q2 Jun to Sep 2018	✓	✓	✓ Final			
Corporate Projects	Steve Butcher	Q3 Dec 2018	✓ Draft ToR					
Workforce Strategy and Organisation Structure	Phil Ruck	Q3 Dec 2018	✓ Draft ToR					
Housing - Homelessness	Stuart Morris	Q4 Jan 2018	✓ Scoping meeting					
Building Control	Gary Sampson-Price	Q1 May/ Jun 2018	✓	✓	✓ Final			
Planning	Andy Millard	Q1 May/ Jun 2018	✓	✓	✓ Final			
PCI / DSS Compliance	Christopher Houghton/ Tim Huggins	Q2 Jul 2018	✓	✓	✓ Draft			
Counter Fraud	Jacqueline Van Mellaerts	Q4 Jan to Mar 2019	✓ Scoping meeting					
Follow Up	Jacqueline Van Mellaerts	Ongoing	-----See separate follow up report-----					

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# EXECUTIVE SUMMARY – BUILDING CONTROL

## EXECUTIVE SUMMARY

### LEVEL OF ASSURANCE:

Design	Substantial	There is a sound system of internal control designed to achieve system objectives.
Effectiveness	Substantial	The controls that are in place are being consistently applied.

### SUMMARY OF RECOMMENDATIONS:

High	0
Medium	0
Low	2

TOTAL NUMBER OF RECOMMENDATIONS: 2

### BACKGROUND:

Brentwood Borough Council (“the Council”) is responsible for ensuring that all building works within its jurisdiction are compliant with government building regulations. Compliance is undertaken either by the Council’s building control team or independently using an approved inspector. If an approved inspector is used, then the Council’s responsibility extends to ensuring that the inspector is appropriately qualified before relinquishing the duty.

The building control team receives either the full plans to the proposed works or a building notice. When full plans are received, these are most likely to have been prepared by a professional such as an architect, and the building control team can directly review these plans against the building regulations and approve or reject accordingly. A building notice can consist of plans of varying detail, and the onus is on the building control team to query and obtain the required information, either directly from the applicant or during onsite inspections.

Inspections on the works are carried out when required or requested, with any issues arising being fed back to the constructors. When construction is finished, the building works are inspected a final time before a completion notice is issued, otherwise the constructors will be advised on which regulations are not being adhered to.

The building control team also respond to reports of unauthorised building works, usually referred by the public, to ensure that no construction is taking place without the appropriate approval and consideration of the regulations.

### GOOD PRACTICE:

- Approved inspectors have been appropriately vetted
- Building notices are reviewed and authorised correctly and in a timely manner
- Full plans are reviewed and authorised correctly and in a timely manner
- Inspections are carried out onsite when required and are appropriately recorded and followed up where necessary
- Completion certificates are issued with sufficient evidence and in a timely manner
- Reports of unauthorised works are acted upon in a timely manner

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#### KEY FINDINGS:

- Inspections are monitored using hard copy documentation, meaning that it takes longer to access information and makes information harder to analyse
- Formal policies and procedures were not provided during the audit and no digital copies were extant.

#### CONCLUSION:

We were able to confirm with reference to information held by the Council that in practice all the requirements for building regulations are being followed. The service is delivering verdicts on building notices and full plans in a timely manner and in a way that covers all of the requirements. This leads us to the conclusion of substantial assurance on the design and effectiveness and of the controls in place.

# EXECUTIVE SUMMARY – PLANNING

## EXECUTIVE SUMMARY

### LEVEL OF ASSURANCE:

Design	Substantial	There is a sound system of internal control designed to achieve system objectives.
Effectiveness	Substantial	The controls that are in place are being consistently applied.

### SUMMARY OF RECOMMENDATIONS:

High

0

Medium

0

Low

1

TOTAL NUMBER OF RECOMMENDATIONS: 2

### BACKGROUND:

Brentwood Borough Council (“the Council”) recognised that it was performing poorly in relation to planning applications and in 2016 entered into a working relationship, through a Service Level Agreement, with Thurrock Council. A review of the planning application process was undertaken and some new processes were introduced to improve performance. The Council is ranked 4th in England for its performance in dealing with planning applications when previously it was ranked 92nd.

Planning decisions are made by the planning officers employed by the Council. The strategic overview is managed by Thurrock Council officers and administration of the service is undertaken by Brentwood Council officers.

On average the Council receives 2,100 planning applications and 350 pre-applications a year, 81% of which are applied for electronically through the National Planning Portal. The remaining 19% of applications are received by post or email.

The Planning Team has introduced the Enterprise database to manage applications and electronic applications from the National Planning Portal via an automatic upload. The administration team will allocate the application once it is satisfied that the validation requirements have been met.

Members approve the fees for the planning application on an annual basis. The Planning Team must run a rolling cycle of three accounting years and is not permitted to make a profit on running the service.

Fees are paid electronically through the National Planning Portal or the Council’s Call Centre.

### GOOD PRACTICE:

- Applicants are notified of rejected planning applications in a timely manner and that the reasons conveyed to the applicant matched the officer’s report
- Manual applications are reviewed and uploaded to the planning portal accurately and on a timely basis
- Planning application fees were charged in accordance with those approved by the Council



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- Applications are loaded onto the public access system to provide the opportunity for public objections to be raised
  - Where objections are raised, these are considered by the officer when preparing the validation report and are published in the final officers report
  - Planning applications are processed in a timely manner for submission to members for decision
  - Parameters built into the planning system means that applications cannot be approved unless the balance on the account has been paid in full
  - Performance data is generated from the portal including metrics such as time taken to progress the application, complaints, appeals and objections. A monthly monitor is used to discuss the performance of the team overall as well as individual performances at meetings between senior management and the team.
  - The service level agreement between Brentwood Borough council and Thurrock council contains an appropriate suite of key performance indicators that are reviewed each month, with remedial actions taken as necessary.

#### KEY FINDINGS:

- Procedural documentation should be reviewed to ensure that the processes that are bespoke to Brentwood Borough Council are clearly identified, and they should include key timeframes for each stage of the application.

#### CONCLUSION:

Overall, we found that the processes conducted and controls in place concerning planning applications are effective in ensuring that applications are uploaded, validated and processed in an accurate and timely manner. The procedures notes used need to include Brentwood Borough Council bespoke processes and explicit time frames, however we found that the processes and controls were well understood and applied consistently, therefore we have concluded an opinion of substantial assurance over both the design and operational effectiveness of the controls in place.



# EXECUTIVE SUMMARY – COMMERCIAL ACTIVITIES

## EXECUTIVE SUMMARY

### LEVEL OF ASSURANCE:

Design	Substantial	There is a sound system of internal control designed to achieve system objectives
Effectiveness	Substantial	The controls that are in place are being consistently applied

### SUMMARY OF RECOMMENDATIONS:

High	0
Medium	0
Low	0

### TOTAL NUMBER OF RECOMMENDATIONS: 0

### BACKGROUND:

The Council has projected a shortfall in future years due to significant financial pressures over the medium to long term and has been examining opportunities to fill this gap and generate surpluses from its asset base and help support the sustainability of the Council. A review of the Council asset base was undertaken to identify potential assets, which could generate capital and revenue returns and assist in bridging the Council’s shortfall. Twenty four sites were identified initially through the exercise as good opportunities and a business plan developed to outline how the potential income could be raised.

The Council decided to develop an Asset Development Plan and soft tested the market to identify the ways of delivering the plan, including a joint venture partner, and to gauge interest. There was significant interest and the Council decided to opt for a Joint Venture partnership arrangement and is currently tendering for this opportunity. The Council has also set up Severn Arches Investment Limited, a Wholly Owned Company (WOC), as a first step to deliver the plan so that funding is kept separate from Council finances. The WOC will be funded initially by a £30m loan from the Council to purchase investment property. The Council will secure this financing from the Public Works Loan Board or other funding bodies where required. The WOC is being developed to not only develop Council sites identified but also where appropriate invest in purchasing new sites to add to the Council’s asset base.

The audit undertook a review of the Council’s commercial activities in relation to the creation of the Wholly Owned Company and process to appointment the Joint Venture Partner and the governance structure in place to ensure there was sufficient monitoring and authorisation required to protect the Council’s commercial activities. We reviewed the tender process to ensure it met with the Council’s and OJEU procedures and received the appropriate authorisation. We provided some best practice guidance on the issues to address and consider whilst in the standstill period from selection to formally signing contracts with a joint venture partner.

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## GOOD PRACTICE AND KEY FINDINGS:

- The Council has yet to formally compile an asset development plan, as this will be done with a procured partner, but has undertaken some initial soft market testing to establish the best approach for identifying and then developing sites in the borough on a commercial basis. It has appointed external expertise to support the internal management in its move to a more commercial outlook.
- The Council has decided to move forward by developing a Wholly Owned Company, Seven Arches Investment Limited (SAIL), to work separately to and with a Joint Venture Partner potentially to develop an initial 24 nominated sites and other possible opportunities identified. The Wholly Owned Company has been correctly registered with Companies House. A plan was developed which outlined the proposal for moving forward which was presented to Policy, Projects & Resources Committee for initial approval and then for approval by the Ordinary Council.
- The approach for developing sites within the borough and creating a Wholly Owned Company and entering in to a Joint Venture Partnership has received approval from the Policy, Procurement and Resources Committee and the Ordinary Council. The full Council approval was given at an Extraordinary Council meeting to ensure there were no potential delays in tendering for a joint venture partner and enable work to commence once the appointment is approved.
- A full procurement process was undertaken, meeting the Council's procedures and OJEU's legal requirements, with external specialists brought in to support the Council in outlining the specifications and to help judge the tender responses when received. The Project Manager, the Executive Director of Commercial Services, ensured that external expertise was appointed and has ensured training has been undertaken for the appointed internal staff who make up the tender panel, the project board and those who would be involved in the post tender negotiations, and those who will be appointed as directors of the Wholly Owned Company.
- A sound governance structure has been devised for the Wholly Owned Company and Joint Venture Partnership. Both have been or will be given delegated authority to undertake commercial projects but only on the terms of the agreements or contracts in place. This cannot be changed without the approval of the Ordinary Council. All progress and decisions by the Wholly Owned Company are monitored and approved by a Project Board and the Policy, Projects and Resources Committee. The arrangements were presented to the Ordinary Council after a presentation by the Executive Director for Commercial Services outlining in detail the proposed structure which was approved.
- The Wholly Owned Company is 100% owned by the Council and the two Directors appointed are the Chief Executive and Chief Operating Officer. The governance structure allows the Wholly Owned Company to make commercial decisions without seeking committee or Ordinary Council approval but has a set agreement that outlines the business approach and what areas cannot be stepped outside of without Ordinary Council approval.
- The Joint Venture Partnership will be owned 50% each by the Council and the appointed partner. Contracts will be set in place and will clearly show the arrangements the partnership can enter in to and this will not be allowed to be changed without obtaining appropriate approval.
- The asset development plan will be monitored by the Project Board and the Policy, Project and Resources Committee (PP&RC). Updates are to be presented at all meetings to ensure management and members are kept fully aware of progress and decisions being taken. Business Plans on commercial proposals, with input from the external expertise appointed, are presented to the PP&RC for consideration of plans and potential benefits to be realised.
- The strategic risk register has been updated to highlight the Council's move to greater commercial activities and for the initial loan to the Wholly Owned Company to purchase their first asset. It has outlined the mitigating circumstances, how decisions will be monitored and the governance structure in place. The risk register is monitored by the Regulatory and Governance Committee and a report is presented at each committee on the position of each risk and highlighting those which have changed. The most recent meeting, in July 2018, showed that commercial activities had had its risk level raised due to the creation of the

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Wholly Owned Company and the initial loan from the Council to the company. This register was approved by the committee.












- The reports being presented to the various committees and boards were found to contain sufficient detail to enable Members to be made fully aware of the current position of the commercial activities of the Council and the governance in place. The reports are available to the public on the Council's website as part of the committee papers and is therefore ensuring transparency in the Council's commercial activities and the approach it is taking.

## CONCLUSION:

The Council has undertaken some major decisions in an attempt to improve its commercial activities to raise additional income to support and improve services for residents of the Borough. It has created a separate commercial arm and is entering in to a Joint Venture Partnership, whilst ensuring it retains a strong governance structure, to be able to react to potential commercial opportunities without previous delays in decision making process, thus enabling it to react on a more commercial footing. This has already resulted in the commercial arm purchasing a significant asset, as the Wholly Owned Company could make a commercial decision as it has been given the power to make such decisions under the agreement set up. In regards to the Joint Venture, the Council will have an equal share and the agreement will not be able to be changed without appropriate approval.





In our view the Council has taken the requisite steps to obtain the necessary approvals, set up appropriate governance structures and identify and mitigate initial risks. However, as the Council has recognised, the establishment of these commercial operations represents a significant risk and this will need to be managed carefully as the commercial activities progress. We have included a number of areas for the Council to consider in the Appendix to this report.

# KEY PERFORMANCE INDICATORS

Quality Assurance as per the Internal Audit Charter	KPI Results	RAG Rating
Annual Audit Plan delivered in line with timetable	Two audits have been deferred at management's request, as detailed on page 3	
Actual days are in accordance with Annual Audit Plan	To date this KPI has been met	
Customer satisfaction reports - overall score at least 70% for surveys issued at the end of each audit	No surveys have been received relating to 2018/19 as yet	
Annual survey to Audit Committee to achieve score of at least 70%	Survey to be issued in March 2019	
At least 60% input from qualified staff	To date this KPI has been met	
Issue of draft report within 3 weeks of fieldwork 'closing' meeting	The first two audit reports (Building Control and Planning) were deferred for issue pending agreement and signing of the new contract with BDO as the Council's internal audit provider	
Finalise internal audit report 1 week after management responses to report are received	To date this KPI has been met	
Positive result from any external review	An external audit review has not been undertaken during 2018/19 to date	
Audit sponsor to respond to terms of reference within one week of receipt and to draft reports within two weeks of receipt	To date this KPI has been met	
Audit sponsor to implement audit recommendations within the agreed timeframe	To date, 55% of recommendations falling due for implementation have been completed. The Internal Audit Follow Up Report has further details.	
Internal audit to confirm to each meeting of the Audit and Scrutiny Committee whether appropriate co-operation has been provided by management and staff	We can confirm that for the audits undertaken to date, management and staff have supported our work, their co-operation has enabled us to complete our work in line with the terms of reference through access to records, systems and staff as necessary	

# APPENDIX 1

## OPINION SIGNIFICANCE DEFINITION

Level of Assurance	Design Opinion	Findings from review	Effectiveness Opinion	Findings from review
<b>Substantial</b> 	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.
<b>Moderate</b> 	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.
<b>Limited</b> 	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.
<b>No</b> 	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.



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