BRENTWOOD BOROUGH COUNCIL INTERNAL AUDIT PROGRESS REPORT

Presented to the Audit and Scrutiny Committee 18 June 2019

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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:

- Disaster Recovery and Business Continuity
- General Data Protection Regulations
- Homelessness

The following audits are in the process of being complete, and will be presented to the next Audit and Scrutiny Committee meeting:

- Main Financial Systems (draft report)
- Housing Department audit (draft report)
- Workforce Strategy and Organisational Structure (fieldwork completed)

Changes to the Plan

There have been the following changes to the approved internal audit plan:

- Risk Management and Governance - This audit has been deferred to 2019/20 at the request of management and agreed by internal audit as it was reviewed last year.
- Housing Department Audit – a review was requested by management.

We agreed 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 operation).
- 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).
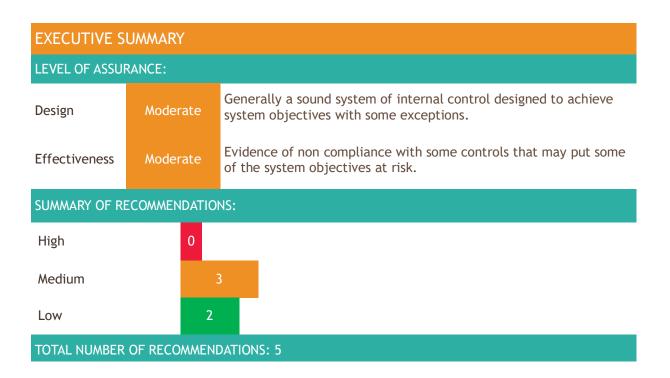
Internal Audit Plan 2019/20

Work is underway on the detailed scopes and timing of audits in the internal audit plan for 2019/20 that was approved by the Audit and Scrutiny Committee on 13 March 2019. All timings have been agreed and scoping meetings for first two audits (Human Resources and Leisure Services) have been arranged for mid-June, with fieldwork starting at the beginning of July. We are also in the process of arranging risk management training.

REVIEW OF 2018/19 WORK

Audit	Executive Lead	Due Date	Planning	Fieldwork	Reporting	Design	Effectiveness
Risk Management and Governance Arrangements	Sue White	Q4 Mar 2019	This audit has been deferred to 2019/20.				
Main Financial Systems	Phoebe Barnes	Q3/ Q4 Dec 2017	✔	✔	✔ Draft		
Disaster Recovery and Business Continuity	Sue White	Q4 w/c 18 Mar 2019	✔	✔	✔ Final	🟠	🟠
General Data Protection Regulations	Daniel Toohey	Q4 w/c 18 Mar 2019	✔	✔	✔ Final	🟠	🟢
Local Development Plan	Phil Drane	Q3 Dec 2018	✔	✔	✔ Final	🟠	🟠
Commercial Activities	Chris Leslie	Q1/Q2 Jun to Sep 2018	✔	✔	✔ Final	🟢	🟢
Corporate Projects	Steve Butcher	Q3 Dec 2018	✔	✔	✔ Final	🟠	🟠
Workforce Strategy and Organisation Structure	Phil Ruck	Q4 Apr 2019	✔	✔ Fieldwork completed	✔ Reporting		
Housing – Homelessness	Stuart Morris	Q4 Feb 2019	✔	✔	✔ Final	🟠	🟠
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	✔	✔	✔ Final	🟠	🔴
Housing Department Audit	Phil Ruck / Steve Summers	Q4 Mar 2019	✔	✔	✔ Draft		
Follow Up	Jacqueline Van Mellaerts	Ongoing	-------------------See separate follow up report-----------------				

EXECUTIVE SUMMARY – DISASTER RECOVERY AND BUSINESS CONTINUITY

EXECUTIVE SUMMARY		
LEVEL OF ASSURANCE:		
Design	Moderate	Generally a sound system of internal control designed to achieve system objectives with some exceptions.
Effectiveness	Moderate	Evidence of non compliance with some controls that may put some of the system objectives at risk.
SUMMARY OF RECOMMENDATIONS:		
High	0	
Medium	3	
Low	2	
TOTAL NUMBER OF RECOMMENDATIONS: 5		

BACKGROUND:

The Council performs a number of essential and statutory functions. Effective Business Continuity and Disaster Recovery arrangements enable the Council to restore service delivery without undue delay in the event that an unplanned event prevents normal systems and processes occurring. Good planning will enable prioritisation of work to restore affected services, and identify the key contacts, resources and processes to return to stability of operations.

The [former] Audit, Scrutiny & Transformation Committee approved the strategic move to agile working through cloud modelling and a thin client structure on 29 September 2015. This transformed the needs of the business and delivered high availability, and significantly reduced the need for all onsite maintenance, for both hardware and applications. The Council use Microsoft Azure (IaaS) hence the platform is remotely hosted. The infrastructure as a service (IaaS) model means that no recovery actions are required onsite other than ensuring workstations can obtain a network connection to the internet service provider (ISP). Two fibre optic cables have been installed for the Regus site so redundancy has been built in, and Alien Vault Ltd have been appointed to maintain security arrangements for the Azure platform.

Our approach was to conduct interviews to establish the controls in operation for each of our areas of audit work. We then sought documentary evidence that these controls are designed as described. We evaluated these controls to identify whether they adequately address the risks.

GOOD PRACTICE:

- Arrangements for relocation and assistance from the central IT team are adequately set out in the IT business continuity plan
- Snapshots are taken on a daily basis at 10pm each day and transferred to the vault after 2 days and held there for 10 days. The vault undergoes a weekly backup which is held for four weeks
- The Business Continuity Strategy adequately sets out requirements for management, design and validation. The Strategy was approved by the Regulatory and Governance Committee in November 2018

- Process owners have been assigned responsibility for ensuring respective business continuity plans are in place, regularly reviewed and updated in line with changes to operations
- Business impact analyses (BIAs) were conducted in March 2018 for all systems and processes by each of the 17 service functions
- Recovery time objectives (RTOs) were determined in all BIAs through the assessment of priority and criticality
- No single points of failure were identified from review of service function Business Continuity Plans (BCPs)
- Roles and responsibilities are clearly assigned to plan owners, plan owner deputies and other parties in the BCPs
- RTO annexes in the BIAs and BCPs have been mirrored which ensure that actions are aligned to achieve necessary timescales
- Criteria and responsibility for invoking BCPs has been clearly set and assigned
- Electronic copies are available to all staff on the intranet (website is hosted offsite so will be available if event occurs onsite), and two paper copies of each plan are retained by the Risk & Insurance Officer
- Emergency Planning College training was attended by the Risk & Insurance Officer and the Chief Operating Officer, and the Chief Executive and the s151 Officer attended Essex Fire & Rescue training
- Temporary accommodation and alternative operational sites have been listed in the Council business continuity plan (BCP) and are also referenced in the separate service area BCPs.

KEY FINDINGS:

- Service area BCPs have not been tested or validated since creation in March 2018 Service area BCPs have not been assessed in line with the IT BCP to ensure dependencies are accounted for
- Annual risk assessments are not scheduled to drive the review of service area BCPs.

CONCLUSION:

Overall, we conclude that the control framework in place for the management of disaster recovery and business continuity is generally adequately designed and operationally effective, but management need to address the areas of risk identified from this review.
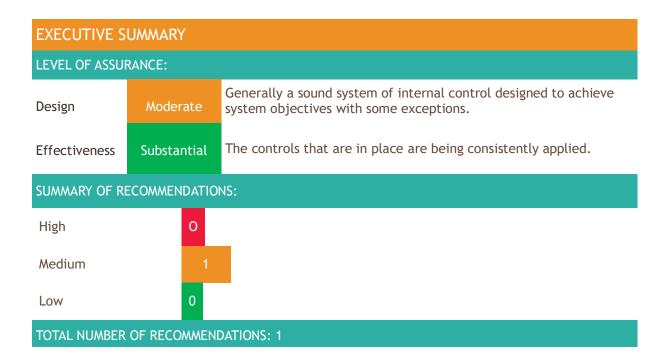
We note that management do not intend to implement our recommendations until March 2020, when the Council moves back to the Town Hall. This is understandable but in the meantime the Council should note it is accepting the risks involved and this should be included in the risk register.

MANAGEMENT ACTION PLAN:

Recommendation	Priority	Management Response	Responsible Officer and Implementation Date
1. Each service function's business continuity plan should be tested and validated for feasibility and a regular system of review and testing implemented. Reports should be submitted to executive management to ensure completion.	Medium	While we agree with this recommendation our business continuity plans will be reviewed again, once we've moved back into the town hall. So the implementation of this testing may be better off after the move and plans have been reviewed.	Sue White – Risk and Insurance Officer 31 March 2020

Recommendation	Priority	Management Response	Responsible Officer and Implementation Date
2. The annual risk assessment and business impact analyses should consider the resourcing conflicts (dependencies) on the IT support team to ensure that service needs in the separate business continuity plans can be delivered.	Medium	Accept this in principle, will review again when we move back to town hall.	Sue White – Risk and Insurance Officer 31 March 2020
3. Business continuity plans should be considered alongside the annual operational risk assessments conducted by each service function.	Medium	We agree that BCP's could be reviewed alongside the operational risk register and vice versa.	Sue White – Risk and Insurance Officer 31 March 2020

EXECUTIVE SUMMARY – GDPR COMPLIANCE

EXECUTIVE SUMMARY		
LEVEL OF ASSURANCE:		
Design	Moderate	Generally a sound system of internal control designed to achieve system objectives with some exceptions.
Effectiveness	Substantial	The controls that are in place are being consistently applied.
SUMMARY OF RECOMMENDATIONS:		
High	0	
Medium	1	
Low	0	
TOTAL NUMBER OF RECOMMENDATIONS: 1		

BACKGROUND:

As of May 25 2018, the General Data Protection Regulations (the GDPR) has replaced the Data Protection Act 1998 as the regulation governing the protection of data in the UK. The implementation of the General Data Protection Regulation (the GDPR) represents the most significant change to the regulations governing the processing of personal identifiable information since the Data Protection Act 1998. As well as articulating the rights of the data subject, the GDPR imposes a number of requirements and constraints on organisations that process personal information.

Significantly, the GDPR enhance the action that can be taken by the Regulator, the Information Commissioner, in the event of a breach occurring. As well as increasing the level of the fines that can be levied, the enforcement powers of the Information Commissioner range from performing audits to preventing an organisation from processing personal information.

There is an Agreement established from February 2018 between Brentwood Borough Council (BBC) and Thurrock Borough Council to assist BBC to comply with data protection regulations and provide support in relation to information management. This includes the provision of a Data Protection Officer and training to staff and Members. The Council's Information Governance Group is co-ordinating the delivery of the works necessary to ensure that the Trust complies with the requirements of the GDPR.

The purpose of the audit was to provide assurance on the Council's compliance with the requirements of the GDPR.

GOOD PRACTICE:

- The Council has appointed Thurrock Borough Council's Strategic Lead as its Data Protection Officer under a shared service arrangement. The Council has a Memorandum of Understanding in place to govern this arrangement, in which roles and responsibilities are clearly defined.
- An online briefing and workshops have been provided to senior management and members on the requirements and implementations of the GDPR. A GDPR eLearning platform has been deployed for all members of staff to provide mandatory GDPR training and awareness and it is also a part of the new employee induction programme.

- The Council has reviewed and updated the Data Protection policy, with effect from March 2018 to include appropriate measures to demonstrate compliance with GDPR requirements.
- The Council has embedded an Information Asset Register that records the: personal and protected data held by the Council, legal reason for processing that data where appropriate, retention schedule and procedures for each of its information assets it holds. The Information Asset register is a live document and is subject to formal annual review by the Information Governance Group.
- The Council has developed privacy notices for the public as well as members of staff and published these on its website
- The Council has mandated the requirement for data privacy impact assessments to be performed and has introduced a Data Protection assessment form and procedures that are used for projects which require the collection and / or use of personal data (note that at the time of the audit, there were no new projects / procurements underway against which to test the operational effectiveness of the procedures).
- The Council has introduced a Data Breach policy, with effect from March 2018, to ensure that the data breaches are appropriately logged and managed in accordance with the law.
- The Council has introduced a Data consent policy, with effect from March 2018, to set the processing and sharing of personal data that are part of the Information Governance suite of policies.
- All third parties with which personal identifiable information is shared have been identified and have been provided with updated terms on sharing arrangements with regards to GDPR.

KEY FINDINGS:

- The Information Asset register does not record all the relevant information, e.g. the security controls over the personal data.

ADDED VALUE:

As part of this review we have supported the Council in the resolution of the GDPR non-compliance issues identified.

CONCLUSION:

We found that work has been undertaken to establish GDPR compliance which is in accordance with good practice principles. We have made recommendations relating to the completion of the information asset register that will require continued commitment from stakeholders from across the Council and Senior Management. Consequently, we concluded moderate assurance over the design of the controls and substantial assurance over the operational effectiveness of the controls in place.

MANAGEMENT ACTION PLAN:

Recommendation	Priority	Management Response	Responsible Officer and Implementation Date
1. As part of recording processing activities, the Information Asset register should include but not be limited to: • The security controls that are expected to be in place to control access to information assets. The asset register should be reviewed and updated to show how it records the explicit consent for every service area.	Medium	The Data Protection Team will work with Information Asset Owners to ensure the security controls in place are recorded on the Records of Processing Activity (ROPA)/Information Asset Register. The ROPA will be reviewed and updated	Lee Henley, Data Protection Officer will lead on these actions with Information Asset Owners responsible for compliance in their own areas. Work on the actions has already commenced with a target completion date of 31 July 2019.

		to clearly show Not Applicable where the council are relying on a legal basis other than consent. However, if consent is relied upon as a legal basis, then this will be shown on the ROPA and further checks will be made to ensure consent is in-line with the Data Protection Act.	

EXECUTIVE SUMMARY – HOMELESSNESS

EXECUTIVE SUMMARY	
LEVEL OF ASSURANCE:	
High	1
Medium	1
Low	1
TOTAL NUMBER OF RECOMMENDATIONS: 3	

BACKGROUND:

The Homelessness Reduction Act 2017 (HRA) brought three new duties to local authorities, as well as retaining their current legislative requirements. These duties were summarised as Prevent, Intervene and Recover:

- Prevent – To prevent more people from becoming homeless in the first place by identifying people at risk and intervene at an earlier stage.
- Intervene – To intervene rapidly if a homeless cases crisis occurs
- Recover – To help more people recover from and exit homelessness.

The Council produced a Housing Strategy for the period 2017 – 2020, which included a section for Homelessness Prevention Strategy.

This highlighted five strategic priorities :
1. Delivery
2. Access to the Private Rented Sector
3. Prevent Focus & Options Provision
4. Reduce the Use of emergency B&B Accommodation
5. Promote independence with partners

As part of the new processes being introduced there is a need to undertake a holistic assessment leading to a decision to be taken on which is the best route for the individual case and a Personal Housing Plan created to clearly set out the reasonable steps each party needs to take to prevent Homelessness.

At the time of the audit fieldwork in February 2019, the Council had 75 homelessness cases in temporary accommodation. As of the 30 May 2019 this has been reduced to 52 cases in temporary accommodation, with no 'out of Borough' placements.

GOOD PRACTICE:

- The Rough Sleeping prevention policy is included in the Council's Homelessness Reduction Strategy.
- The Council is linked to a number of groups who can now refer directly to the Council using the Housing Portal to assist their clients. This has aided clients being able to contact the Council and gain relevant information or support.
- Based upon sample testing, for the cases where a homelessness duty was accepted by the Council, we confirmed that the Personal Housing Plan had been completed within the 56 days target.
- The Council continues to monitor the quarterly position to identify if there is a need to adjust its position on sourcing accommodation.

- The Housing Options Manager has monthly budget monitoring meetings with their financial accountant and discussions are held on the actual spend and forecast and recorded on Comprehensive Performance Assessment system (CPA). Comments on variances identified are recorded on the CPA budget model so these are reported through to CLB.
- The service budget is monitored on a regular basis and is actively addressing some financial pressures.

KEY FINDINGS:

- A number of exceptions were identified with regards to the adequacy and completeness of identification documents:
  - ID documents are not held on the system for all cases, however are required for final management sign-off when a legal decision is made.
  - ID verification equipment is not in use.
  - There is no evidence to confirm that the ID documentation scanned and retained on the system has been verified by a member of staff. Staff are required to check original documents at interview, with any permanent allocation of housing requiring verification of ID at the sign-up stage.
  - ID Documents review training is not conducted regularly to detect potential instances of fraud. The Homelessness Team does refer cases to the Corporate Fraud Team where there is any live suspicion of potential fraud.

    (High priority)
- Tasks are not marked as completed by the Case Officer on Locata, making it difficult to be confident that they have been undertaken and within required timeframes, and consequently management is unable to use Locata fully to assist in effective monitoring of cases.

    (Medium priority).

ADDED VALUE:

We benchmarked the Council's net current expenditure, total gross income, total gross expenditure and sales, fees & charges income relating to homelessness to those of seven other Essex district councils, with a view to highlighting potential areas for exploration where prima facie differences are evident. The per capita net current expenditure on homelessness in 2017/18was £3 per person which was well below the combined net average of the sampled councils of £8 per person.

The Council was charging above average rates for temporary accommodation (£40.50 per night for a single room) relative to the comparators, only one other council is charging higher rates than the Council. Since the time of the benchmarking undertaken by internal audit in April 2019, we have been advised by the Housing Options Manager that as of May 2019, placements are made in temporary accommodation (bed & breakfast) at a rate of £29.00 per night. The council expects significant reductions in average rates with reliance on out of Borough provision having reduced significantly.

CONCLUSION:

There is a documented control framework across the majority of areas, including a homelessness strategy which incorporates the approach to rough sleeping, and timeframes for assessing those that present themselves as homeless to the Council.

The framework could be improved through fully utilising the Locata system by recording progress made on a case and incorporating the complete list of KPIs being monitored, to enable clear and transparent reporting of performance. The housing service should provide additional training to their staff on document verification practices and ensure all documentation is held in a central location and available for future review. This will reduce the risk that the service will wrongfully accept a homeless duty towards an individual and protect the Council against any challenges of their decisions.

We have therefore concluded moderate assurance with regards to both the design of the control framework and operational effectiveness of the controls in place.

<div style="background-color:#3BB6A6; color:white; padding:5px;">MANAGEMENT ACTION PLAN:</div>

Recommendation	Priority	Management Response	Responsible Officer and Implementation Date
1. a) Cases should only be accepted if the relevant Identity documentation is on file. If it is not the case officer should be informed and the appropriate documents sourced before approval. b) Document verification training should be given to all appropriate staff involved in the homelessness process, outlining key issues they should look for and how to record the verification check completed, whether documents are reviewed in person or through the portal. The Council should also review the need for document verification equipment to assist the staff in verifying the legitimacy of documents presented. This equipment could be used throughout the Council for other services, including pre-employment checks or housing applications. c) The full capability of the Locata system should be reviewed to enable target times to be set and completion dates to be recorded. This information should then be used for regular monitoring to ensure the Council are meeting their obligations in a timely manner and action is being taken to address any areas of poor performance.	High	a) Part VII Homeless applications are only accepted when reviewed by a Manager. The issue of internal controls are to be widened to include acceptance of any Prevention/Relief Duty and a programme of review is due to be conducted shortly. b) Document verification training is currently being sourced. The issue of document verification equipment is due to be entered as a Corporate project to enable cross-departmental efficiencies. c) Use of Locata is set to be reviewed, with the intention of integrating the homelessness application into the system directly.	Stuart Morris, Housing Options Manager 31 December 2019
2. As part of transparency, the full list of KPI's for Housing management should be included as an appendix to committee papers, if only a summary position of items which have had significant movement are being reported on.	Medium	KPIs are currently being reviewed with staff having attended Locata Report writing training to enable more effective statistical provision.	Stuart Morris, Housing Options Manager 30 September 2019

KEY PERFORMANCE INDICATORS

Quality Assurance as per the Internal Audit Charter	KPI Results	RAG Rating
Annual Audit Plan delivered in line with timetable	Three 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 June 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 was not undertaken during 2018/19. The internal cold review on the Council's records and files relating to the internal audit services was passed.	🔵
Audit sponsor to respond to terms of reference within one week of receipt and to draft reports within two weeks of receipt	Receipt of responses to draft reports has exceeded two weeks in three cases.	🟡
Audit sponsor to implement audit recommendations within the agreed timeframe	To date, 71% 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
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.

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