

BRENTWOOD BOROUGH COUNCIL INTERNAL AUDIT PROGRESS REPORT

Presented to the Audit and Scrutiny Committee 9 October 2019

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SUMMARY OF 2018/19 AND 2019/20 WORK

Purpose of Report

This report is intended to inform the Audit and Scrutiny Committee of progress made against the 2018/19 and 2019/20 internal audit plans. 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 opinions, the executive summaries from the final report are 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:

- Workforce Strategy and organisation structure (the executive summary is included in this report)
- Housing Department (the report is attached as an appendix)

Our audit programme for 2018/19 is now complete and all final reports have been issued.

2019/20 Internal Audit Plan

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

- Human Resources Recruitment
- Trade Waste
- Food Safety

The following report has been issued in draft and we are awaiting management comment and responses to the recommendations raised:

- Housing Benefits

Work is underway on the following audit which will be reported at the next Audit and Scrutiny Committee meeting in January 2019:

- Leisure Services

We are also in the process of arranging risk management training and our counter fraud awareness work.

Changes to the 2019/20 Plan

We agreed changes to the timings of the three audits below:

- Human Resources Recruitment - moved from Q1 to Q2 (to take account of key contact annual leave absence)
- Leisure Services - moved from Q1 to Q2 (planning completed in Q1, key fieldwork carried out in Q3)
- Corporate Plan - moved from Q2 to Q4 (to allow for corporate plan process to be completed).

We have also moved the risk management training planned for Q1 to Q3, to allow time to set up a process and arrange the training sessions.

REVIEW OF 2018/19 WORK

Audit	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	✓	✓	✓ Final			
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	Phil Ruck	Q4 Apr 2019	✓	✓	✓ Final			
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	Phil Ruck / Steve Summers	Q4 Mar 2019	✓	✓	✓ Final	N/A		
Follow Up	Jacqueline Van Mellaerts	Ongoing	-----Separate follow up report-----					

REVIEW OF 2019/20 WORK

Audit	Lead	Due Date	Planning	Fieldwork	Reporting	Design	Effectiveness	
Risk Management and Governance Arrangements	Sue White	Q4 Mar 2020						
Risk Management Training	Sue White	Q3 Dec 2019						
Main Financial Systems	Jacqueline Vanmellaerts Phoebe Barnes	Q4 Mar 2020						
Financial Planning and Monitoring	Phoebe Barnes	Q3 Dec 2019						
Treasury Management	Alistair Greer	Q3 Dec 2019						
Housing Benefits	Robert Manser	Q2 Sept 2019	✓	✓	✓ Draft			
Human Resources Recruitment	Jacqui Vanmellaerts Angela Hogg	Q1/Q2 Sept 2019	✓	✓	✓ Final			
Corporate Plan	Steve Summers	Q4 Mar 2020						
General Data Protection Regulations	Christopher Leslie Aju Omedeli	Q3 Sept 2019						
Counter fraud	Victoria Banerji	Q1-Q4 Mar 2020						
Housing Repairs and Maintenance	Angela Abbott Nicola Marsh	Q4 March 2010						
Trade Waste	Greg Campbell Darren Laver	Q2 Sept 2019	✓	✓	✓ Final			
Leisure Services	Kim Anderson	Q2/Q3 Dec 2019	✓	✓				
Food Safety	Gavin Dennett Gareth Olive	Q2 Sept 2019	✓	✓	✓ Final			
Follow Up	Jacqueline Van Mellaerts	Ongoing	-----Separate follow up report-----					

EXECUTIVE SUMMARY – WORKFORCE STRATEGY AND ORGANISATION STRUCTURE (2018/19)

EXECUTIVE SUMMARY

LEVEL OF ASSURANCE:

Design	Substantial	Appropriate procedures and controls in place to mitigate the key risks.
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	2
Low	2

TOTAL NUMBER OF RECOMMENDATIONS: 4

BACKGROUND:

The Council has been developing its workforce strategy and organisation to meet its ‘Vision for Brentwood 2016-2019’. The Council is aiming to be an ambitious and forward thinking local authority, committed to providing first-class services to its residents and communities.

It has four priority outcomes for its workforce:

1. Strong foundations - to have a highly effective HR function and foundation, supported by informed organisational development and endorsed by the Council leadership.
2. Recognised as an employer of choice - to ensure managers and staff have the tools and skills to undertake their roles and deliver to expected standards and policies.
3. A highly motivated and engaged workforce - employees are proud to work for the Council and consider it a great place to work.
4. Demonstrating valuing of equality and diversity - to ensure all members of staff have the opportunity to fulfil their potential.

The Council has developed a Workforce Development Strategy which includes an Action Plan as to how the Council will meet the set outcomes and how this will be measured to ensure actions are being completed.

This will be monitored by the Executive Management Board as part of their standard agenda

A review was completed of the Workforce Strategy and its alignment with the Council’s corporate plan. Testing was performed on the appraisals process and whether these were completed in time and also whether the exit process is followed and utilised to assist the Council in understanding why staff have left.

GOOD PRACTICE:

- The Council identifies actions and has a clear plan for delivery of outstanding actions with assigned targets and responsibility for these actions. A RAG spreadsheet is completed confirming the actions to be taken to achieve the outcomes for each key theme of the Strategy.
- The Council has identified key and critical roles to ensure there is sufficient notification time for finding and introducing a new individual. A senior management structure is in place and all staff within have an appropriate notice period.

KEY FINDINGS:

- A Workforce Strategy is in place but should be updated in due course to ensure it aligns to the new Brentwood Plan once completed.
- Evidence was not available to evidence some theme actions being completed.
- In relation to employee feedback, not all appraisals were completed in a timely manner (despite reminders and an extension to the deadline), there has been a delay in issuing the staff survey due to the Chief Executive Officer's departure.

CONCLUSION:

Overall, there is a solid foundation in relation to workforce strategy. A strategy is in place which is detailed and contains a number of themes and outcomes, a majority of which are monitored effectively. Processes are in place for employees including appraisals and exit questionnaires. In relation to training, a system is in place allowing for requests to be made easily and this protects the Council where employees leave after qualifying. Overall we have therefore concluded substantial assurance for the design of controls and moderate assurance for the effectiveness of the controls.

MANAGEMENT ACTION PLAN:

Recommendation	Priority	Management Response	Responsible Officer and Implementation Date
Where outcomes are monitored to confirm progress (against the workforce strategy), evidence should be retained to confirm that the outcome is on track or completed. This ensures that any potential slippage is discovered early and there is a greater chance of resolving issues in a timely manner. When formal reviews of the RAG spreadsheet are completed evidence should be checked and if missing, requested and retained on file to support the progress of these outcomes.	Medium	Workforce Development Strategy is relatively new and officers continue to embed within existing processes. Management welcomes this feedback but does feel this is in hand, so will continue to work with Audit to satisfy the recommendations and provide the required evidence requested. (Timeliness of audit has meant that some themes are in hand or already implemented).	Jacqueline Van Mellaerts (Director of Corporate Resources) 1 st February 2020

Recommendation	Priority	Management Response	Responsible Officer and Implementation Date
<p>Effective employee feedback mechanisms to gauge employee engagement of specific projects or satisfaction of the Council as a whole should be utilised. This could be completed through different mechanisms, such as: an annual employee engagement survey, quarterly and briefer pulse surveys or a combination of the two (annual survey with pulse surveys completed on the satisfaction with action taken). It should be ensured that feedback based on the results is provided in a timely manner and that action is taken where possible to ensure engagement is maintained.</p>		<p>Agreed. Staff survey has been drafted and is being reviewed by the Corporate Leadership Board.</p>	<p>Jacqueline Van Mellaerts (Director of Corporate Resources) 1st January 2020</p>

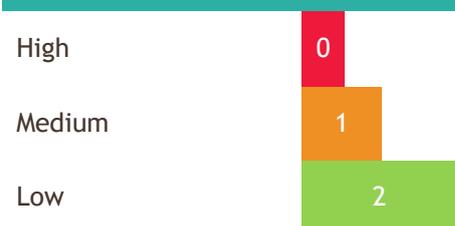
EXECUTIVE SUMMARY – HUMAN RESOURCES RECRUITMENT (2019/20)

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 generally being consistently applied.

SUMMARY OF RECOMMENDATIONS:



TOTAL NUMBER OF RECOMMENDATIONS: 3

BACKGROUND:

In 2018/19, the Council had annual employee benefit expenses of £12.75 million. The Council’s key resources include a workforce of 233 full-time equivalent members of staff and there were 22 new starters between July 2018 and June 2019.

In March 2018, the Council entered into a contract with Thurrock Council for the provision of human resources and payroll services, including recruitment. The contract commenced on 1 April 2018 for a duration of three years with an option to extend for two years with mutual agreement and at the discretion of both parties.

The purpose of this audit was to provide assurance over the adequacy and effectiveness of the key processes and controls in place for the provision of recruitment services while ensuring compliance with the Council’s policies and procedures. As part of our testing, we selected a sample of 15 new joiners and five individuals acting up in more senior roles to ensure that there are appropriate recruitment processes in place that are in line with the Council’s policies and procedures as well as best practice.

GOOD PRACTICE:

- The contract between the two Councils includes defined Key Performance Indicators (KPIs) and performance targets and establishes a requirement for performance to be reviewed on a regular basis.
- The performance of the service is reviewed on a quarterly basis, including following up outstanding actions, resolving identified issues and reviewing the performance of the services against the KPIs.
- The Council's intranet includes defined procedures and guidance for hiring managers with regards to the Council's recruitment processes and the arrangements with Thurrock Council.
- There was sufficient documentation in place to demonstrate the job advertising process for the 15 new joiners included in our sample.
- Appropriate interview notes were found to be attached to the files of the 15 new joiners in our sample.
- There is a procedure in place with regards to the required approvals across all stages of the recruitment process and sufficient documentation of the approvals was found for the 15 new joiners in our sample.
- The Council has established a requirement for a mandatory online training module to be completed by all new joiners, which includes training on information governance and security, in order to be provided with a Brentwood Council e-mail address.
- Appropriate procedures were found to be in place for all five individuals acting up in more senior roles that were included in our sample.

Overall, we noted that there have been significant improvements, through the introduction of new policies and procedures, over the last 12 months.

KEY FINDINGS:

- We found that six out of 12 interviewers in our sample testing had not attended the first round of interview training provided by Thurrock Council, and three interviews were performed without any Thurrock-trained interviewer. There is a recruitment and selection training programme in place for interviewers, although it is not a mandatory requirement for all interviewers to attend. We accept that this may not be necessary for senior officers who have significant experience in recruiting staff, however the Council should ensure that staff carrying out interviews are appropriately trained where necessary.

CONCLUSION:

Based on our review we have raised one medium and two low level recommendations relating to minor weaknesses identified in the operation of the Council's recruitment procedures and controls. Overall, the Council has a sound system of internal controls that are generally being consistently applied. The introduction of new policies and procedures over the last 12 months, has resulted in significant improvements in the service and there are well established performance monitoring arrangements for the contract with Thurrock Council. Consequently, we conclude substantial assurance over both the design of the Council's controls and their operational effectiveness.

MANAGEMENT ACTION PLAN:

Recommendation	Priority	Management Response	Responsible Officer and Implementation Date
<p>Management should identify which interviewers have not been provided with recruitment and selection training from Thurrock Council and should put in place arrangements for training to be provided as soon as possible, where necessary.</p> <p>Training attendance should be monitored and where an interviewer has not been provided with the training they should not be carrying out interviews on their own without the presence of an interviewer who has been appropriately trained by Thurrock Council, or is experienced in carrying out interviews.</p>	<p>Medium</p>	<p>Agreed that not all interviewers have attended the Thurrock Council training, for a variety of reasons, including starting dates of new managers. In line with policy, it is not a requirement to have undertaken the initial recruitment training - this is a rolling programme.</p> <p>An attempt will be made to train interviewers where this is deemed to be necessary, or provide 'refresher' training where more appropriate, and action will be taken to ensure that there will be at least one Thurrock-trained interviewer in each interview.</p> <p>We will also add to the policy (which will be reviewed as per finding 3) that if staff cannot attend training, for whatever reason, they will be expected to read guidance on the microsite before attending the interview.</p>	<p>Jacqueline Van Mellaerts (Director of Corporate Resources) December 2019</p> <p>Jacqueline Van Mellaerts (Director of Corporate Resources) December 2019</p>

EXECUTIVE SUMMARY – TRADE WASTE (2019/20)

EXECUTIVE SUMMARY

LEVEL OF ASSURANCE:

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

SUMMARY OF RECOMMENDATIONS:

High	0
Medium	1
Low	1

TOTAL NUMBER OF RECOMMENDATIONS: 2

BACKGROUND:

All businesses have a responsibility to safely manage the waste they produce in order to protect human health and the environment. The 'Waste Duty of Care Code of Practice' sets out practical guidance for businesses on how to meet these requirements. Failure to comply with the duty of care is an offence subject to an unlimited fine on conviction.

The Council offers a Trade Waste Collection Service for the removal of commercial waste. It also offers a Trade Waste Recycling Service for collection of dry recyclables such as paper, cardboard, cans and plastics and a separate collection for mixed glass.

There are fixed charges for each service, based on the size of containers, and these rates are published on the Council's website. Contracts are entered into with each business that uses these services and customers can terminate contracts with a notice period of 30 days.

GOOD PRACTICE:

- The sample testing undertaken confirmed that signed waste transfer notices are in place and retained for invoices reviewed.
 - Fee charges are reviewed and approved annually and published on the Council's website.
 - The team has a documented process map that outlines the procedure to be followed from customer application to contractual agreement and billing, which includes the process for cancellations and amendments to contracts, and this process is adhered to.
- Customers are correctly charged for additional services to contracts or variations to services being provided.

KEY FINDINGS:

- There is scope for further promotional activities to be carried out to advertise the trade waste service to local business within the Council and thereby generate additional income.
- We identified one case out of our sample of 20 where the customer was not charged the correct discount for multiple bins, which resulted in a total overcharge of £30.80 (for seven bins over four months). Following this finding, the Council has refunded the customer for this overpayment.

CONCLUSION:

Overall, with the exception of scope for further promotional activities to be carried out to increase income generation by the service, we identified a well-designed control framework to be in place and, with a minor exception only, the controls were being consistently applied. Consequently, we have concluded an opinion of moderate assurance for design and substantial assurance for operational effectiveness of controls.

MANAGEMENT ACTION PLAN:

Recommendation	Priority	Management Response	Responsible Officer and Implementation Date
1) Actively search and identify possible opportunities/events available to promote the trade waste service, ensuring that the market audience is understood prior to attending events to ensure they are aligned with the service's target market.	Medium	1) Liaise with the Senior Economic Development Officer to establish links with local business groups - e.g. Chamber of Commerce.	1) Mike Dun (Trade Waste Officer) 31 March 2020
2) Liaise with the business rates team to ensure that trade waste leaflets with fee information are distributed as part of the annual business rates information packs.		2) Liaise with the NDR team to ascertain the likelihood of inserting an information leaflet, along with the annual rates demand.	2) Mike Dun (Trade Waste Officer) 31 October 2019
3) Liaise with the food safety team to identify new businesses that may require trade waste services.		3) Liaise with the Food Safety Team to explore the possibility of collaboration.	3) Mike Dun (Trade Waste Officer) 31 October 2019
4) Undertake cold-calling of local businesses in the borough to attract new customers.		4) Identify areas of interest and develop a strategy to promote the service.	4) Gemma Magnus (Technical Officer)/ Amanda Cutler (Administrator) Ongoing

EXECUTIVE SUMMARY – FOOD SAFETY (2019/20)

EXECUTIVE SUMMARY

LEVEL OF ASSURANCE:

Design	Substantial	There is a sound system of internal control designed to achieve system objectives.
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	1
Low	1

TOTAL NUMBER OF RECOMMENDATIONS: 2

BACKGROUND:

The Council is responsible for enforcing the Food Safety Act 1990 within the borough, including the inspection of premises that handle food, to ensure that premises are hygienic, food is safe and infectious disease is kept under control. This responsibility is delivered by 1.5 full time equivalent staff within the Environmental Health and Licensing Service, with management responsibility provided under a shared service with Thurrock Council, and use of three external contractor Environmental Health Officers (EHOs).

Food premises are required to register with the Council 28 days before food may be prepared or sold. Registration is free but is a legal requirement and the onus is on businesses to register.

Premises are inspected by EHOs under a programme of unannounced visits, to ensure that food hygiene and safety requirements are met. Hygiene ratings are awarded to businesses (except those which are exempt) producing or serving food within the borough, under the National Food Hygiene Rating Scheme. In carrying out inspections, the EHOs are required to follow the Food Standards Agency's (FSA's) Food Law Code of Practice. The FSA also has criteria which local authorities must adhere to relating to the number of premises to be inspected in a year, based on the risk rating. All newly registered premises must be inspected within a year.

Local authorities also have statutory powers to take food samples to verify whether products are safe (microbiological contamination testing) and what they say they are (compositional testing). The Code states that routine food sampling is an essential part of a well-balanced enforcement service. Local authorities receive credits from Public Health England to fund the transportation and examination of microbiological samples, and the Council also carries out local and discretionary sampling.

On a monthly basis the Council reports and monitors its performance against a key performance indicator (KPI) for the service, which is the percentage of broadly compliant businesses. It is also required to submit a detailed annual return to the FSA that sets out the inspection visits and sampling carried out.

GOOD PRACTICE:

- The Council has sound procedures in place to identify inspections which are due and to monitor inspections which are overdue.
- The Environmental Health Officers have completed professional development in accordance with the Code of Practice and evidence of training records and certificates are retained.
- Inspection forms are sufficiently documented with relevant findings and actions, signed by the inspector and reviewed by the Principal Environmental Health Officer, before being uploaded into the Uniform system.
- Secondary checks by the Food Safety Manager are carried out and evidenced on inspection forms where food hygiene ratings are downgraded (i.e. allocated a less risky rating) to ensure they are appropriate.
- Representatives from the Food Safety team regularly attend the Essex Food Group meetings, at which attendees feedback on FSA consistency exercises. This helps to moderate the Council's approach to ratings against other local authorities.
- The Principal EHO regularly attends visits with contractors or officers carrying out inspections to ensure that ratings provided are appropriate.
- Complaints received are logged, investigated and resolved within a timely manner.
- Appropriate actions, both formal and informal, are taken to investigate and address food safety issues, in accordance with the Council's enforcement policy.
- User access to the Uniform system is consistent with the organisational team structure and appropriate for staff roles.
- There are appropriate procedures for producing and submitting the annual return to the FSA, which includes data on inspections and sampling carried out in the year.
- Monthly reports are produced from Uniform to monitor the KPI for the percentage of broadly compliant businesses. The target of 97% compliance has been consistently achieved throughout the period August 2018 to June 2019.

KEY FINDINGS:

- Inspections of new premises are not always undertaken within 28 days of the business registering with the Council, as suggested by the Code of Practice. Whilst the reasons for these delays were valid and appropriately evidenced for the majority of the sample tested, we identified six new businesses (out of 25 tested) where there was no supporting documentation or evidence in the Uniform system to ascertain the reasons for delays beyond the 28 days.
- In the absence of valid explanations evident for all delays, we are unable to ascertain whether the delay was justified. If the food safety team do not undertake inspections on new premises within the 28 days suggested by the Code, there is risk that new business premises may not be hygienic and food may not be safe, which

CONCLUSION:

Overall, we found a well-designed control framework to be in place. However, we identified an exception relating to a number of new premises not inspected within a timely manner and the reasons for the delays not recorded. Consequently, we have concluded an opinion of substantial assurance for the design of controls and moderate assurance for the operational effectiveness of the controls being applied.

MANAGEMENT ACTION PLAN:

Recommendation	Priority	Management Response	Responsible Officer and Implementation Date
<p>Record the reasons for any delays beyond 28 days between registration and inspection (e.g. revised opening date) in Uniform or on the Council's monitoring spreadsheet. Once new premises have exceeded the 28 day time-frame, actively contact the premises and record actions taken and correspondence on Uniform/on the spreadsheet.</p>	<p>Medium</p>	<p>The 28 day period referred to in the auditors comments on this risk are not a legislative requirement but incorporated into the Food Standards Agency Food law code of Practice (FSAFLCOP).</p> <p>Changes to the FSAFLCOP have changed the 28 day requirement to an aim to be achieved if consistent with the authorities risk based approach.</p> <p>The wording of the FSAFLCOP is: "Initial inspections should normally take place within 28 days of registration or from when the Authority becomes aware that the establishment is in operation. The requirement to undertake initial inspections within 28 days may in some circumstances present a conflict for resources to complete other higher priority activities, in such circumstances prioritisation of interventions within the authority's programme should be undertaken in a risk based manner."</p> <p>This means that high risk food premises should be prioritized for intervention over new premises that present a lower risk. We propose that in order to accommodate this updated guidance new premises registrations are subject to an initial risk rating based on the proposed activity and are then scheduled into the programme of risk based premises inspections. This will ensure that premises are inspected as quickly as possible whilst not displacing other higher risk premises in Brentwood's programme.</p>	<p>Gavin Dennett (Environmental Health and Licensing Manager) / Gareth Olive (Food Safety Manager)</p> <p>Immediately</p>

KEY PERFORMANCE INDICATORS 2019/20

Quality Assurance as per the Internal Audit Charter	KPI Results	RAG Rating
1. Annual Audit Plan delivered in line with timetable.	Three audits have been deferred, as detailed on page 4.	
2. Actual days are in accordance with Annual Audit Plan.	To date this KPI has been met.	
3. Customer satisfaction reports - overall score at least 70% for surveys issued at the end of each audit.	No surveys have been received relating to 2019/20 as yet.	
4. Annual survey to Audit Committee to achieve score of at least 70%.	Survey to be issued in June 2020.	
5. At least 60% input from qualified staff.	To date this KPI has been met.	
6. Issue of draft report within 3 weeks of fieldwork 'closing' meeting.	To date this KPI has been missed by 1 day for 1 out of 4 audits (see table below).	
7. Finalise internal audit report 1 week after management responses to report are received.	To date this KPI has been met (see table below).	
8. Positive result from any external review.	No external audit reviews have been carried out to date.	
9. Audit sponsor to respond to terms of reference within one week of receipt and to draft reports within two weeks of receipt.	To date the KPI regarding terms of reference has been missed by 1 day for 2 out of 5 audits (see table below). To date the KPI regarding draft report has been missed by 22 days for 1 out of 5 audits (see table below).	
10. Audit sponsor to implement audit recommendations within the agreed timeframe.	No recommendations due for 2019/20 audits to date.	
11. 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 audit work undertaken to date, management and staff have supported our work and their co-operation has enabled us to carry out our work in line with the terms of reference through access to records, systems and staff as necessary.	

AUDIT TIMETABLE DETAILS (2019/20 AUDITS)

Audit	Draft TOR issued	Management response to TOR received	Closing meeting	Draft report issued	Management response to draft report received	Final report issued
HR recruitment	8/7/19	9/7/19 (KPI 9 met)	25/7/19	8/8/19 (KPI 6 met)	13/9/19 (KPI 9 not met by 22 days)	19/9/19 (KPI 7 met)
Leisure services	25/6/19	3/7/19 (KPI 6 not met by 1 day)	Progress meeting held on 12/7/19	Not yet issued as work in progress	N/A	N/A
Housing benefits	31/7/19	2/8/19 (KPI 9 met)	28/8/19	19/9/19 (KPI 6 not met by 1 day)	Awaiting management response (not yet due)	N/A
Trade waste	5/8/19	8/8/19 (KPI 9 met)	28/8/19	12/9/19 (KPI 6 met)	23/9/19 (KPI 9 met)	24/9/19 (KPI 7 met)
Food safety	8/8/19	16/8/19 (KPI 6 not met by 1 day)	4/9/19	17/9/19 (KPI 6 met)	23/9/19 (KPI 9 met)	23/9/19 (KPI 7 met)

KEY FOR RAG RATING:

-  = met target
-  = not met target
-  = partly met target
-  = not applicable

APPENDIX I

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

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BRENTWOOD BOROUGH COUNCIL

INTERNAL AUDIT REPORT

HOUSING DEPARTMENT
SEPTEMBER 2019

LEVEL OF ASSURANCE	
Design	Operational Effectiveness
N/A	N/A

EXECUTIVE SUMMARY	2
DETAILED FINDINGS	5
ANNEX I - DEFINITIONS	11
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DISTRIBUTION

Phil Ruck	Former Chief Executive
Steve Summers	Chief Operating Officer
Jacqueline Van-Mellaerts	Chief Financial Officer

REPORT STATUS LIST

Auditors:	Greg Rubins - Partner
Dates work performed:	24 April to 28 May 2019
Draft report issued:	29 May 2019
Management response received:	19 September 2019
Final report issued:	25 September 2019

EXECUTIVE SUMMARY

LEVEL OF ASSURANCE: (SEE APPENDIX II FOR DEFINITIONS)

Design N/A

Effectiveness N/A

SUMMARY OF RECOMMENDATIONS: (SEE APPENDIX II)

High

1

Medium

2

Low

0

TOTAL NUMBER OF RECOMMENDATIONS: 3

BACKGROUND:

The Chair and Vice Chair of the Community, Health and Housing Committee (CHHC) recently resigned from their roles in February 2019. In doing so, the Chair has made a number of allegations, including:

- An agreement with Basildon Council to jointly manage housing stock repairs and maintenance was rescinded without appropriate Member involvement and there is no exit strategy from the agreement
- Property compliance issues have been withheld from Members
- Members have not been kept informed of issues with the stock condition survey
- 'Fundamental' operational reports were not shown to the Chair
- Meetings with officers did not cover the appropriate areas in sufficient detail.

The Former Chief Executive had carried out an initial investigation into these issues and reported to the then Leader of the Council. The Council has commissioned this independent review to assess whether the Council is taking the right action in response to the resignation letter from the CHHC Chair.

We have been asked to review the evidence held by the Council in relation to the allegations made and comment on:

- 1) The actions that have been and were already being undertaken by the Housing department that respond to Cllr Hossack's claims, with associated timelines
- 2) The plans in place to meet compliance, with regard to integrity and deliverability of the plans and associated timescales
- 3) The evidence of information exchanges between both parties
- 4) The culture that was present both within Housing and between Members and Officers over the last 15 months that may have contributed to the alleged communication breakdowns.

We have met with officers in the Housing Department and with the former Chair and vice Chair of CHHC.

GOOD PRACTICE:

- Officers have agreed that there were shortcomings with communications, particularly with regard to the termination of the agreement with Basildon Council. There is a willingness to learn lessons and improve arrangements going forwards
- Action has already been taken to provide more formality around meetings with the Chair of CHHC
- Considerable effort has been put into the new contractual arrangement with Axis, which should result in operational improvements within the Housing Department and address longstanding issues around a plan for stock maintenance.

KEY FINDINGS:

- Records were not kept of the monthly meetings with the CHH Chair. Detailed information was provided to the March CHH meeting and it appears that Members found this was too much information. However, there seemed to be insufficient detail going to the September and December 2018 meetings. The Council is clearly still trying to find the right balance. The scope of CHH is also potentially too broad, which means that Housing issues are not considered in enough detail, due to developments in other areas.
- Housing has some big and longstanding issues to address. Urgent issues are dealt with quickly and efficiently but longer term planning has been challenging for a number of reasons. There are plans in place to deal with these and they appear adequate if timescales are met. Some Members have lost confidence in the detailed data and it may be advisable to audit this in 20/21 to provide the necessary assurance.
- The decision not to proceed with the section 101 agreement with Basildon was made by officers without consulting Members. Although officers had delegated authority to enter into the agreement, in our view it would have been advisable to seek Members approval before withdrawing from the process. This is not to criticise the decision itself, which seems to have been made for sound reasons.
- It appears that relationships between officers and the two senior Members of CHH broke down in January and February. There are different reasons given for why this happened and again without notes of meetings being available it is difficult to take a definitive view. What seems clear is that proper process has not been followed by the officers or Members involved. If officers had concerns about Member demands or behaviour then these should be formally escalated. Similarly, if Members had concerns about the support being received from officers then this also needs to be formally escalated, ultimately to the Chief Executive and Leader. We are not aware of these issues being indicative of a wider problem across the Council but there are improvements that could be made to ensure these escalation processes are followed in practice.

CONCLUSION:

The Council has had longstanding issues with managing its housing stock effectively, for example through lack of a robust stock condition survey. It has taken action to address these through a contract with Axis which should result in significant improvements if managed well. The focus of officers on this new contract has been understandable but in the meantime there has not been effective communication with the senior Members of CHHC and, in particular, the decision to end the arrangement with Basildon should have been made with the agreement of those Members. In turn, Members should have raised any concerns about this with the Chief Executive.

It is also important to the effective running of the Council that Members and officers treat each other with courtesy and respect. We have made a number of recommendations to support the action that has already been taken by the Council.

DETAILED FINDINGS

1. RISK 1: OFFICERS DID NOT KEEP MEMBERS INFORMED OF SIGNIFICANT RISKS AND ISSUES IN THE HOUSING DEPARTMENT

Ref	Significance	Finding
1	Medium	<p>Housing officers used to send weekly reports to the Chair of CHHC but these were discontinued in 2017 and replaced with monthly meetings. Agendas and minutes for these meetings are available but there were informal discussions around these which were not documented and this has caused some disagreement about information provided to Members.</p> <p>There also appears to be a lack of clarity about the level and type of information Members require and this has been highlighted by recent issues around asbestos and potential legionella, which have been managed by officers but it appears that Members were not satisfied with the level of detail they were provided with. As a result, some Members appear to have lost confidence in the data provided. An example given was of rent arrears, where information provided excluded former tenants, which Members felt did not give a full picture. We comment in the next finding on the information provided on the Basildon arrangement.</p> <p>We have reviewed the compliancy report and the project risk register, as well as the information provided to Members at the March 2019 CHHC meeting. There is a wealth of information in the reports and officers are clearly trying to address Member concerns. However, it can be difficult to ascertain the key issues and risks that Members need to focus on. This is partly down to the lack of good management information (such as stock condition), which the new Axis contract is designed to address. We asked for a report on how many properties had been inspected for asbestos and how many were outstanding and we were told this would take two days to produce. Whilst this seems quite basic information, officers were dealing with out of date legacy systems which made producing such information lengthy and difficult. However this would help to explain Member frustration at the information being made available.</p> <p>The point has also been made to us that the remit of CHHC was too wide and this made it difficult to focus on housing operational matters. Action has recently been taken on this, with a new Committee formed which deals with Environment, Enforcement and Housing.</p> <p>In summary:</p> <ul style="list-style-type: none"> Officers have tried to meet Member concerns about information provided on risks and issues in the Housing Department but there is more work to do and they have been hampered by the limitations of current information and the information systems in place at that time.

Confidence in the data provided needs to be restored.

- There has been a lack of formality around communication with Members which has made it difficult to determine how well they were kept updated. Members we spoke to were not keen on using the Member portal but there are other ways of keeping records, e.g. via e mail either at the time or after the discussion

RECOMMENDATION:

- When communicating with Members, officers should maintain a record of any significant discussions, particularly around setting pre meeting agendas and these should be made available to Members.
- Officers should prepare different options for Members on management information to be provided on Housing operational matters and agree this formally. A process should be agreed for updating key Members of issues between meetings.
- An internal audit should be commissioned to cover Housing department management information, with the focus on information provided to Members. This should focus on the timeliness, accuracy and relevance of information.

MANAGEMENT RESPONSE:

Comments / action agreed:

- Records of regular meetings between Chair/Vice Chair and Officers have now been put into place.
- Agreed. As an organisation we have reviewed the effectiveness of reporting and providing information to key members between meetings. In addition we have now procured and implemented the appropriate modules for the Keystone software for compliance which will assist in both managing and reporting progress. Further to this, the Council has an ongoing review of the Members Portal system including members input.
- This should be included within the 2020/21 Internal Audit Plan to enable new systems to be introduced and bedded in.

Responsible Officer: Steve Summers

Implementation Date:

- Completed
- Completed
- 2020/21 Internal Audit Plan.

2. RISK 3: DECISIONS HAVE BEEN MADE BY OFFICERS WITHOUT APPROPRIATE AGREEMENT FROM MEMBERS

Ref	Significance	Finding
2	High	<p>Members gave officers delegated authority in March 2018 to enter into a s101 agreement with Basildon Council, whereby Basildon would be responsible for the repairs and maintenance service at Brentwood. The arrangement was trialled during 2018 but there were a number of issues with it, Basildon were essentially using agency staff to deliver the service and due to management capacity constraints they were struggling to provide an effective plan to address the issues. The former Chief Executive had warned Basildon before Christmas 2018 that the Council could withdraw from the service and on 18th January 2019 he gave formal notice of the decision to withdraw from the arrangement.</p> <p>We were told that the former Leader of the Council was informed of issues with the arrangement but was not consulted prior to the decision to withdraw. Officers tried to arrange an urgent meeting with the then chair of CHHC but when this was not possible decided to inform him at the next pre-meet on 5th February 2019. The Chair found out prior to this through an informal conversation with a housing officer and via a whistleblower from the Basildon team.</p> <p>The former Chief Executive has acknowledged that informal communications could have been better on this matter. He has also argued that as officers had delegated authority to enter into the arrangement they had the same authority to withdraw from it.</p> <p>We cannot give legal advice and it would be for the monitoring officer to comment on whether officers had appropriate authority to make the decision. It is clear from information we have seen that the decision was made for sound reasons.</p> <p>However, in our view it was not appropriate for this decision to be made without the agreement of Members, given its significance, both in terms of housing operational performance and joint working with other authorities. The issues with the arrangement were known about for some time so there was scope to obtain Member agreement on the approach to take.</p> <p>We are not aware of any other instances of this happening but our work has been restricted to the Housing Department.</p>

RECOMMENDATION:

- a) The Monitoring Officer should be asked to provide a formal view on whether officers had the authority to withdraw from the Basildon agreement and, if not, retrospective approval should be obtained.

MANAGEMENT RESPONSE:

Comments / action

- a) A formal legal view will be obtained and respective approval agreed by the Chair. Progress has been made on the culture being reinforced whereby officers provide professional advice and members make decisions.

Responsible Officer:
Steve Summers

Implementation Date:
30 October 2019

3. RISK 4: MEMBERS AND OFFICERS IN THE HOUSING DEPARTMENT HAVE NOT DEVELOPED APPROPRIATE WORKING RELATIONSHIPS

Ref	Significance	Finding
3	Medium	<p>It appears that relationships between officers and Members broke down between January and February 2019, resulting in the resignation of the Chair and Vice Chair of CHHC. A example for Members was the Basildon decision referred to in the previous finding.</p> <p>It was evident there was frustration for both parties, due to the high pressure working environment, which included transitioning to a new Repairs and Maintenance contract, dealing with out of date legacy systems and long standing compliance issues.</p> <p>The Council constitution states in several places that officers and Members should treat each other with courtesy and respect and recognise and respect each other's roles. It is difficult to argue that this happened during this period.</p> <p>There are clear procedures to be followed when issues like this arise. Both officers and Members should escalate the issue, ultimately to the Chief Executive and Leader.</p> <p>Whilst it is accepted that the most senior members and officers were aware of the workload of this committee and therefore the likely impact on the ability of this committee to fully scrutinise the function of the housing department, officers tried to manage the operational situation without the formal involvement of the Chief Executive.</p> <p>This was an extreme situation and officers and Members had worked effectively together on the Committee in previous years. Nevertheless, it demonstrates a lack of ability for Members to scrutinise the performance of the housing service.</p>

RECOMMENDATION:

- a) Training and guidance to officers and Members on how to treat each other with courtesy and respect should be refreshed and reminders given
- b) The guidance should include a clear escalation process for both officers and Members when issues arise
- c) Changes should be considered to the committee structure to ensure effective scrutiny can be managed and achieved.

MANAGEMENT RESPONSE:

Comments / actions agreed:

- a) Officer and Member relationships are already provided as part of the current Member Training Programme.
- b) The Council's Constitution already includes a clear escalation process.
- c) Effective scrutiny to facilitate this has been met by the separation of the committees in May 2019. In addition, there has been a review of the Housing structure and the introduction of an Interim Director of Housing and Enforcement to assist in providing information and scrutiny.

Responsible officer: Paula Harvey, Interim Head of Legal Services and Monitoring Officer

Implementation date:

- a) Completed.
- b) Completed.
- c) Completed.

ANNEX I - DEFINITIONS

LEVEL OF ASSURANCE	DESIGN OF INTERNAL CONTROL FRAMEWORK		OPERATIONAL EFFECTIVENESS OF 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.

ANNEX II - TERMS OF REFERENCE

PURPOSE OF REVIEW:

To review the evidence held by the Council in relation to the allegations made and comment on:

- 1) The actions that have been and were already being undertaken by the Housing dept that respond to Cllr Hossack's claims, with associated timelines
- 2) The plans in place to meet compliance , with regard to integrity and deliverability of the plans and associated timescales
- 3) The evidence of information exchanges between both parties
- 4) The culture that was present both within Housing and between Members and Officers over the last 15 months that may have contributed to the alleged communication breakdowns.

KEY RISKS:

Based upon the risk assessment undertaken during the development of the internal audit operational plan, through discussions with management, and our collective audit knowledge and understanding the key risks associated with the area under review are:

- Officers did not keep Members informed of significant risks and issues in the Housing Department
- The plans in place to address the significant risks and issues were inadequate and/or did not have reasonable timescales for achievement
- Decisions had been made by officers without agreement from Members
- Members and officers in the Housing Department have not developed appropriate working relationships

APPROACH:

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

Any opportunities identified to improve arrangements will be offered for consideration alongside recommendations to resolve any weakness in controls. We will seek to gain evidence of the satisfactory operation of the controls to verify the effectiveness of the control through use of a range of tools and techniques.



FOR MORE INFORMATION:

Greg Rubins

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

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