

<b>Committee:</b> Audit and Scrutiny Committee	<b>Date:</b> 28 July 2020
<b>Subject:</b> Internal Audit Progress Report	<b>Wards Affected:</b> All
<b>Report of:</b> Jacqueline Van Mellaerts, Director of Corporate Resources	<b>Public</b>
<b>Report Author/s:</b> Name: Greg Rubins, Head of Internal Audit (BDO) Telephone: 02380 881 892 E-mail: <a href="mailto:greg.rubins@bdo.co.uk">greg.rubins@bdo.co.uk</a>  Name: Janine Combrinck, Internal Audit Manager (BDO) Telephone: 020 7893 2631 E-mail: <a href="mailto:janine.combrinck@bdo.co.uk">janine.combrinck@bdo.co.uk</a>	<b>For Information</b>

### **Summary**

This report is intended to inform the Audit and Scrutiny Committee of progress made against the 2019/20 internal audit plan.

The following reports have been finalised since the last Committee:

- Treasury Management (2019/20) (Substantial/Moderate)
- Financial Planning and Monitoring (Substantial/Substantial)
- Housing Repairs and Maintenance (Substantial/Moderate)
- Main Financial Systems (Moderate/Moderate)
- Risk management and Governance (Substantial/Moderate)

### **Recommendation(s)**

**Members are asked to:**

- R1. That the Committee receives and notes the contents of the Internal Audit Progress Report attached in Appendix A.**
- R2. That the Committee receives and notes the contents of the Internal Audit Follow Up Report attached in Appendix B.**

### **Introduction and Background**

1. This report is intended to inform the Audit and Scrutiny Committee of progress made against the 2019/20 internal audit plan. It summarises the work we have

done, together with our assessment of the systems reviewed and the recommendations we have raised.

2. 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.
3. The Audit Committee approved the 2019/20 annual audit plan in March 2019. The progress against plan is reported at every Audit and Scrutiny Committee during 2019/20.

### **Issue, Options and Analysis of Options**

4. The following reports have been finalised since the last Committee:

- Treasury Management (2019/20) (Substantial/Moderate)
- Financial Planning and Monitoring (Substantial/Substantial)
- Housing Repairs and Maintenance (Substantial/Moderate)
- Main Financial Systems (Moderate/Moderate)
- Risk management and Governance (Substantial/Moderate)

#### Treasury Management (2019/20)

5. During the course of our audit, management produced the 2020/21 Capital and Investment Strategy, which took account of and addressed some of our emerging findings. The opinion given reflects the improvements the Council has recently made.

Overall, we provide substantial assurance on design and moderate assurance on effectiveness of the key controls. The control framework in place for treasury management activity ensures compliance with relevant statutory guidance and the Council's approved Treasury Management Strategy, but management should address the areas of risk identified from this review to ensure that it is operationally effective in all areas. We have raised two medium priority recommendations.

#### Financial Planning and Monitoring (2019/20)

6. Our audit did not identify any key areas where the control framework needs to be strengthened. We provide substantial assurance on design and substantial assurance on effectiveness of the key controls. We have raised one low level recommendation.

### Housing Repairs and Maintenance (2019/20)

7. There is an adequate governance structure in place for monitoring the contract with Axis and processes are in place for stock condition surveys to be carried out over three years. We have raised a medium level finding in relation to compliance with approval processes of repairs prior to the works being carried out. We have also raised two low priority recommendations in respect of an isolated case of not documenting the name of the approver of payments to Axis and the recording of action timescales within the contract management meetings notes. We have therefore concluded that there is a substantial assurance around the design of controls in place and moderate assurance in respect of the effectiveness of those controls.

### Main Financial Systems (2019/20)

8. Overall, we have concluded that the Council has a satisfactory system of controls in place over the finance processes included in this review as well as a satisfactory level of operational effectiveness of controls. However, further improvements can be made to strengthen controls over some processes and also improve the operational effectiveness of some controls.

We have seen a positive direction of travel in respect of the issues that we reported in our 2018/19 audit of the main financial systems in respect of the timeliness of control account reconciliations and the timeliness of invoicing.

We have raised three medium and seven low priority recommendations. The Council would move towards substantial assurance for control design and operational effectiveness if these medium priority recommendations were addressed during 2020/21.

### Risk management and Governance (2019/20)

9. Overall, we provide substantial assurance on design and moderate assurance on the effectiveness of the key controls.  
It is clear that a great deal of work has been completed with regards to risk management since our last review. The Council has a satisfactory system of risk management and governance in place. However, further improvements can be made to improve processes and the operational effectiveness of some controls and to further embed a risk management culture.  
We have raised two medium priority recommendations to improve staff awareness of risk management, through training and greater engagement, and a medium priority recommendation regarding a few very high level risks that have not changed rating for some time. We have also raised four low priority recommendations to further improve processes.
10. A Summary of outstanding Recommendations from previous audits are included in Appendix B – Follow up report.

11. This is regularly monitored by Senior Officers and will be followed up again ahead of the next Audit and Scrutiny Committee, along with other recommendations due by 30 June 2020.

### **Reasons for Recommendation**

12. To monitor the progress of work against the internal audit plan

### **Consultation**

13. Not applicable.

### **References to Corporate Plan**

14. Good financial management underpins all priorities within the Corporate Plan.

### **Implications**

#### **Financial Implications**

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15. There are no direct financial implications arising from this report.

#### **Legal Implications**

**Name & Title:** Amanda Julian, Director of Law & Governance

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16. There are no legal implications arising from this report.

#### **Economic Implications**

**Name/Title:** Phil Drane, Director of Strategic Planning

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17. There are no economic implications arising from this report.

### **Background Papers**

18. None

### **Appendices to this report**

19. Appendix A – Internal Audit Progress Report  
Appendix B – Internal Audit Follow Up Report