

BRENTWOOD BOROUGH COUNCIL INTERNAL AUDIT PROGRESS REPORT

Presented to the Audit and Scrutiny Committee July 2020

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SUMMARY OF 2019/20 AND 2020/21 WORK

Purpose of Report

This report is intended to inform the Audit and Scrutiny Committee of progress made against the 2019/20 and 2020/21 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.

2019/20 Internal Audit Plan

The following reports have been finalised since our last progress report to the Audit and Scrutiny Committee, and the executive summaries are included in this report:

- Treasury Management
- Financial Planning and Monitoring
- Housing Repairs and Maintenance
- Main Financial Systems
- Risk management and Governance

All 2019/20 reports have now been finalised.

We also completed a series of five risk management training workshop sessions during Q4.

Changes to the 2019/20 plan

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

- Human Resources Recruitment - moved from Q1 to Q2 (to take account of key contact annual leave absence) - now complete
- Leisure Services - moved from Q1 to Q2 (planning completed in Q1, key fieldwork carried out in Q3) - now complete
- Financial Planning and Monitoring - moved from Q3 to Q4 (to allow the audit to focus on the most recent round of budget setting).
- Corporate Plan - moved from Q2 to 2020/21 (it was initially postponed to Q4 to allow for the corporate plan process to be completed and then with the onset of the Covid-19 pandemic, officers requested that it be postponed further into 2020/21)

2020/21 Internal Audit Plan

Work on the 2020/21 Internal Audit plan has not yet commenced. With the onset of the Covid-19 pandemic and the need for the Council to focus only on business critical services, officers requested that we postpone the audits planned for the early part of 2020/21.

We are now in the process of agreeing the timing for the audits planned for Q1 and Q2:

- Contract Management and Procurement
- Performance Management and Formal Complaints
- Human Resources - Sickness
- Environment - Street Cleaning, Fly Tipping and Enforcement
- Car Parking.

We are also discussing with officers whether we should make changes to the audit plan to cover new Covid-19 related risks. Areas where we can provide assurance include:

- Covid-19 related emergency funds and grants
- Crisis management and business continuity
- Supplier chain assurance
- Data protection and IT security issues from home working
- Maintaining the control environment during staff absences
- Fraud risks as a result of staff absence and home working.

REVIEW OF 2019/20 WORK

Audit	Lead	Due Date	Planning	Fieldwork	Reporting	Design	Effectiveness
Risk Management and Governance	Sue White	Q4 Mar 2020	✓	✓	✓ Final		
Risk Management Training	Sue White	Q4 Mar 2020	✓	✓	N/A	N/A	N/A
Main Financial Systems	Jacqueline Vanmellaerts Phoebe Barnes	Q4 Mar 2020	✓	✓	✓ Final		
Financial Planning and Monitoring	Phoebe Barnes	Q4 Mar 2020	✓	✓	✓ Final		
Treasury Management	Alistair Greer	Q3 Dec 2019	✓	✓	✓ Final		
Housing Benefits	Robert Manser	Q2 Sept 2019	✓	✓	✓ Final		
Human Resources Recruitment	Jacqui Vanmellaerts Angela Hogg	Q1/Q2 Sept 2019	✓	✓	✓ Final		
Corporate Plan	Steve Summers	Q4 Mar 2020	✓	-----Deferred to 2020/21-----			
General Data Protection Regulations	Christopher Leslie Paula Harvey	Q3 Sept 2019	✓	✓	✓ Final		
Counter fraud	Victoria Banerji	Q1-Q4	Provide support as and when required		N/A	N/A	N/A
Counter fraud	Victoria Banerji	Q1-Q4	-----Provide support as and when required-----				
Housing Repairs and Maintenance	Angela Abbott Nicola Marsh	Q4 Mar 2020	✓	✓	✓ Draft		
Trade Waste	Greg Campbell Darren Laver	Q2 Sept 2019	✓	✓	✓ Final		
Leisure Services	Kim Anderson	Q2/Q3 Dec 2019	✓	✓	✓ Final		
Food Safety	Gavin Dennett Gareth Olive	Q2 Sept 2019	✓	✓	✓ Final		
Follow Up	Jacqueline Van Mellaerts	Ongoing	-----Separate follow up report-----				

EXECUTIVE SUMMARY – TREASURY MANAGEMENT

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	2
Low	1

TOTAL NUMBER OF RECOMMENDATIONS: 3

BACKGROUND:

In recent years there have been a number of changes to treasury management requirements for local authorities, in light of the significant increase in commercial investments across the sector.

In December 2017, the Chartered Institute for Public Finance and Accountancy (CIPFA) updated its *Prudential Code for Capital Finance in local authorities* and its *Treasury Management Code*. Shortly thereafter, in February 2018, the Ministry of Housing, Communities and Local Government (MHCLG) published revised *Statutory Guidance on Local Authority Investments* and *Statutory Guidance on Minimum Revenue Provision (MRP)*.

CIPFA's updated Prudential Code now requires that the capital strategy explains borrowings and investments and it amended some of the indicators. The revised Treasury Management Code clarifies that investments cover both financial and non-financial investments, including investment property.

The revised MHCLG guidance on investments includes new requirements relating to the preparation and approval of investment strategies, reporting on the contribution that investments make towards objectives and the place making role of the authority, justification for borrowing in advance of need and reporting performance against specific indicators. The MRP guidance includes changes to prevent windfall gains from revised MRP strategies effective from 1 April 2018 and minimum levels of MRP effective from 1 April 2019.

The Council responded to the majority of these changes by approving an overarching strategy that covers capital, investment and treasury management for 2019/20 and the Council agreed a revised MRP policy. The remaining requirements were addressed in the 2020/21 Capital and Investment Strategy.

The capital programme over the next few years includes significant investment, including financing the activities of the Council's wholly owned company, Seven Arches Investments Ltd (SAIL), by way of loans to enable SAIL to invest in properties for a commercial return.

At 31 December 2019, the Council held investments of £8 million, long-term borrowings of £61 million and short-term borrowings of £14 million. Borrowing is expected to increase by £34 million over the next three years. Officers are currently reviewing the Council's long term borrowing strategy and portfolio of borrowing against external economic factors, in light of increasing commercial activity.

GOOD PRACTICE:

- The Council's treasury management and capital strategies for 2019/20 and 2020/21 make reference to the revised MHCLG and CIPFA guidance and indicate that the Council has responded to the new requirements.
- Our testing of a sample of new loans and investments taken out in the past twelve months indicates that they comply with the requirements of the Council's Treasury Management Strategy.
- The Policy, Resources and Economic Development (PRED) Committee approved a revised process for approval of all SAIL investments and from October 2019, all funding decisions have to be approved by the Committee.

KEY FINDINGS:

We identified the following areas where the control framework needs to be strengthened:

- Ensuring that there is sufficient evidence that loans have been checked in terms of risks and affordability and that they are all formally approved before they are entered into (Medium).
- Ensuring that the Council's investments procedure is complied with in all instances, including approval of rolled forward investments, and ensuring that there is evidence that investments are checked against the requirements of the Treasury Management Strategy (Medium).

CONCLUSION:

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.

MANAGEMENT ACTION PLAN:

Recommendation	Priority	Management Response	Responsible Officer and Implementation Date
<p>a) Formal evidence of approval should be retained for all loans taken out.</p> <p>b) When requesting approval of loans, the e-mail request should</p>	Medium	<p>a) The Council will retain formal evidence of approval for all loans taken out. It should be noted that approval is sought from either the S151 or the deputy S151 officer for every loan. Sometimes this will initially be verbal approval,</p>	<p>Alistair Greer, Principal Accountant (Financial Reporting)</p> <p>1 April 2020</p>

Recommendation	Priority	Management Response	Responsible Officer and Implementation Date
<p>explicitly set out the key facts about each loan that demonstrates that it meets the requirements of the Treasury Management Strategy in terms of risks and affordability.</p>		<p>which is subsequently confirmed by email.</p> <p>b) The e-mail request will explicitly set out the key facts about each loan to demonstrate that it meets the requirements of the Treasury Management Strategy. This is set out in the procedure note, which has now been drafted and provided to Internal Audit.</p>	<p><i>To followed up in the 2020/21 main financial systems audit</i></p>
<p>a) Formal evidence of approval should be obtained prior to any investment being made, including rolled forward investments.</p> <p>b) When requesting approval of investments, the e-mail request should explicitly set out the key facts about each investment that demonstrates that it meets the requirements of the Treasury Management Strategy in terms of duration, amount, credit rating of institution and location of institution</p>	<p>Medium</p>	<p>a) This recommendation is agreed. The Council will retain formal evidence of approval for all investments made. It should be noted that approval is sought from either the S151 or the deputy S151 officer for every investment. Sometimes this will initially be verbal approval, which is subsequently confirmed by email.</p> <p>b) This recommendation is agreed. The e-mail request will explicitly set out the key facts about each investment to demonstrate that it meets the requirements of the Treasury Management Strategy. This is demonstrated in the procedure note, which has now been drafted and provided to Internal Audit.</p>	<p>Alistair Greer, Principal Accountant (Financial Reporting)</p> <p>1 April 2020 <i>To followed up in the 2020/21 main financial systems audit</i></p>

EXECUTIVE SUMMARY – FINANCIAL PLANNING AND MONITORING

EXECUTIVE SUMMARY

LEVEL OF ASSURANCE:

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

SUMMARY OF RECOMMENDATIONS:

High	0
Medium	0
Low	1

TOTAL NUMBER OF RECOMMENDATIONS: 1

BACKGROUND:

The Council’s 2019/20 budget and Medium Term Financial Strategy (MTFS) to 2021/22 were approved at the Ordinary Council meeting in February 2019. Whilst the budget was balanced, overspends were forecast during the year. The position was managed through vacant posts and delayed projects and the Council ended the year with a general fund balance of £3.1 million, a reduction of £18,000 compared to the prior year.

The updated 2020/21 budget and MTFS to 2022/23 was approved by the Policy, Resources and Economic Development (PRED) Committee in February 2020. It was due to be presented to Ordinary Council for approval in March 2020, although this meeting was cancelled due to the unprecedented current situation brought about by the Covid 19 pandemic.

The Council has set a balanced budget of £8.8 million net spending requirement for 2020/21. However, the MTFS forecasts budget gaps of £361,000 in 2021/22 and £723,000 in 2022/23.

The Council has an annual budget setting process which seeks to address budget gaps primarily through:

- Generating income through commercial activity and seeking to embed commercial thinking throughout the organisation;
- The ongoing review and redesign of services; and
- A focus on supporting inward economic investment.

The Council uses eFinancial for General Ledger, and Collaborative Planning software for financial planning, budgeting and forecasting. Budget Managers and Link Accountants have access to the Collaborative Planning application and use this as part of the regular budget monitoring process.

The Council periodically holds Budget Challenge Panel sessions, chaired by the Chief Executive, where managers are questioned over performance and future actions to address budgetary concerns. In previous years, this was done on a quarterly basis but due to the change in Chief Executive and disruptions from the office move during the year, the first budget challenge meetings for 2019/20 were only held in November 2019.

Budget monitoring reports are presented to the PRED Committee to inform members of the Council's financial performance against budget and proposed outturn for the financial year.

GOOD PRACTICE:

- Comprehensive budget setting guidelines, which included a breakdown of each process required and the corresponding deadline, were circulated to Link accountants and budget holders ahead of the 2019/20 and 2020/21 budget setting processes.
- Our discussions with the link accountants and review of diary invites and notes recorded in the Collaborative Planning system confirmed that these guidelines were followed in the 2020/21 budget setting process.
- The consideration of income generation opportunities is encouraged through the fees and charges setting process, which includes formal guidance and a detailed template to be completed by budget holders in carrying out the necessary consultations and benchmarking in setting fees and charges for the year ahead, and through the budget challenge meetings.
- Regular meetings are held between budget holders and Link accountants and actions arising from those meetings are adequately recorded in the Collaborative Planning system and followed up on.
- Formal Budget Challenge Panel sessions were held between November 2019 and January 2020 and an overall summary of the key discussion points and arising actions is held by the finance team.
- Reporting to senior officers and members on the 2019/20 performance against budget, forecast position for the year, and 2020/21 budget assumptions, uncertainties, risks/threats and mitigating actions/next steps took place throughout the year through a range of mechanisms. This included formal reports to PRED, presentations to the Executive Board, discussion at a Corporate Leadership Board (CLB) away day and financial presentations to the PRED Chair and the Leader of the Council.
- The MTFs presented to PRED clearly sets out the assumptions applied and the Council benchmarked its assumptions against other councils within the Essex Finance Officers Alliance.

KEY FINDINGS:

Our audit did not identify any key areas where the control framework needs to be strengthened.

We have raised one low priority recommendation in respect of the Council's Budget Challenge Panel process, where meetings were not held for two of the 25 budgets, being the Elections and the CCTV budgets. There was sound justification for not holding the meeting for the Elections budget. The CCTC budget is of relatively low value.

CONCLUSION:

We provide substantial assurance on design and substantial assurance on effectiveness of the key controls. We have raised one low level recommendation.

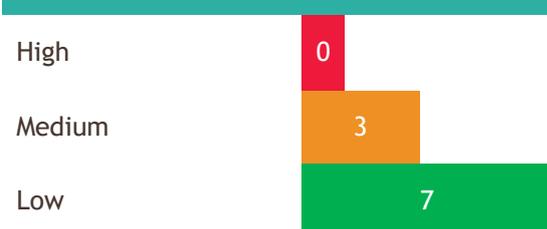
EXECUTIVE SUMMARY – MAIN FINANCIAL SYSTEMS

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:



TOTAL NUMBER OF RECOMMENDATIONS: 10

BACKGROUND:

The Council has a central finance team, led by the Director of Corporate Resources and the Corporate Finance Manager, which is responsible for the financial management controls and processes, including shared service arrangements. The finance team also provides leadership on good financial practice to the services across the Council and has an overseeing role to ensure procedures are correctly followed. The Council has a shared service arrangement with Basildon Council for Council Tax and Business Rates. It also had a contract with Thurrock Council for external recruitment and payroll processing, although these functions have been brought back in house during 2020/21.

In 2018/19 the Council upgraded its key financial system, eFinancials, and at the same time added a platform called Purchase Invoice Management (PIM) system to interface with e-procurement.

Each year our audit of the main financial systems covers the General Ledger, including reconciliations for system interfaces and journals. Cyclical reviews are carried out on the other main financial systems. This year we have focussed on Accounts Payable, Council Tax income and Business rates income. We have also covered the vetting and pre-employment checks process for new starters, as this was not covered in the Human Resources Recruitment audit during the year. In addition we have followed up on outstanding recommendations from the 2018/19 audit of the main financial systems, in particular the timelines of invoicing, and recommendations in the 2019/20 Housing Benefits audit.

GOOD PRACTICE:

- Journals are appropriately authorised by a senior member of the finance team before being posted to the general ledger. There is clear segregation of duties between input and authorisation.

- Journals are authorised and posted to the general ledger within five days of input by the originator, are supported by adequate backing documentation and correctly posted.
- New supplier forms are completed before they are set up on the system and there is evidence that sufficient due diligence is carried out to confirm companies house registration, VAT registration and conflicts checks.
- Credit notes from suppliers are appropriately matched to invoices and payments reduced accordingly.
- Reconciliations between the Council's lists of domestic and business properties and the information from the Valuation Office Agency are carried out on a weekly basis and independently approved.
- Appropriate evidence is held to support council tax and business rates discounts and exemptions awarded.
- Appropriate action is taken to monitor housing benefit overpayments and take recovery action where necessary.

KEY FINDINGS:

We identified the following areas where the control framework needs to be strengthened (medium priority recommendations raised in respect of each of these):

- Review of general ledger user access accounts to ensure that they are all independently approved on set-up, or disabled when no longer required.
- Annual confirmation to be obtained from the shared service provider regarding the appropriateness of the users' access rights to the revenues and benefits system.
- Ensuring that there is a sound process for evidencing pre-employment vetting checks and approvals before candidates are appointed.

CONCLUSION:

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.

MANAGEMENT ACTION PLAN:

Recommendation	Priority	Management Response	Responsible Officer and Implementation Date
In the annual security check, the Council should ensure that all users' access to the general ledger system has been independently reviewed and signed, all long inactive accounts are disabled where necessary,	Medium	The annual security review of the Council's financial system has now been undertaken. Where the appropriate authorisation has not been received to the deadline set, access to the financial system has been suspended. The annual review will be scheduled to be undertaken prior to the	Alex Webber (Systems and Finance Officer) Immediately

Recommendation	Priority	Management Response	Responsible Officer and Implementation Date
and access rights remain appropriate.		start of the new financial year.	
The Council should seek annual confirmation from the shared service provider regarding the appropriateness of the users' access rights to the revenues and benefits system.	Medium	Basildon's Revenues & Benefits systems team will carry out an annual review of all Civica users to ensure appropriateness of access.	Craig Beadle Immediate
Management should ensure that the in-house HR team has a robust and well documented process for pre-employment vetting procedures and approvals.	Medium	Agreed.	Nichola Mann 31 December 2020

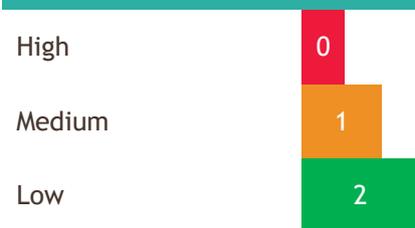
EXECUTIVE SUMMARY – HOUSING REPAIRS AND MAINTENANCE

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:



TOTAL NUMBER OF RECOMMENDATIONS: 3

BACKGROUND:

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, entered into in June 2019, which should result in significant improvements if managed well.

The contract with Axis is for the provision of the following services in respect of the Council’s housing stock:

- Responsive repairs and maintenance and voids maintenance;
- Internal and external planned maintenance works;
- Cyclical servicing of various components within the housing stock;
- Servicing, maintenance and boiler replacements to central heating systems; and
- A call centre for answering calls from residents.

The Council’s housing stock comprises (based on 31 March 2020 position): 1,090 flats, 1,385 houses and bungalows and 7 equity share properties. In 2019/20 the Council spent £3.1 million on Housing repairs and maintenance.

We reviewed the process for monitoring the contract between the Council and Axis, how key performance indicators (KPIs) are monitored and scrutinised, and the sufficiency of reporting this information internally. We also selected a sample of repairs to assess whether they were appropriately approved for the works to be carried out, and authorised to be paid. As the Council did not have a planned maintenance programme in place at the time of the audit, we reviewed a

sample of planned electrical inspections, to ensure that works completed are adequately reviewed prior to approval for payment.

Due to the lockdown arising from the Covid-19 pandemic towards the end of March 2020, and the difficulties associated with testing audit samples remotely, we reduced our sample sizes for testing repairs and maintenance from 20 to 10. Further testing may have uncovered additional weaknesses.

GOOD PRACTICE:

- Strategic Core Group meetings between the Council and key Axis contacts are held at least quarterly, are appropriately represented by the Council, and there is adequate consideration of financial performance and strategic direction.
- Members are adequately informed regarding the requirements of the contract and how Axis are performing, through regular reporting to the Environment, Enforcement and Housing Committee or member update meetings.
- KPIs cover all areas of the contract, i.e. responsive repairs, planned maintenance, voids etc. as well as overall performance indicators.
- KPIs are SMART and sufficiently stretching.

KEY FINDINGS:

We identified the following area where the control framework needs to be strengthened:

- From the sample testing carried out, there is insufficient evidence in some cases that repairs are being appropriately approved before the works are carried out, as we found instances of no evidence of approval (2/10 tested), names of approvers are not always documented (2/10), and void repair approvals sometimes exceeding the pre-set delegation limits (1/10) (Medium).

CONCLUSION:

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.

MANAGEMENT ACTION PLAN:

Recommendation	Priority	Management Response	Responsible Officer and Implementation Date
a) Variation Order and repairs approval limits should be formally documented, for example, within a Scheme of Delegation.	Medium	a) We will ensure that the authorisation limits for Council users of Axis' system are formally documented through the Council's Finance User Authorisation forms process.	a) Nicola Marsh, (Housing Manager)
b) Management should consider documenting		b) The void officer is reviewing void baskets which will be for a pre agreed amount of work	b) Nicola Marsh, (Housing Manager)

Recommendation	Priority	Management Response	Responsible Officer and Implementation Date
<p>any accepted exceptions to the authorisation limits, such as in respect of Technical Officer/Surveyor approvals of voids repairs.</p> <p>c) The Council should ensure that all Variation Orders are approved by the appropriate individual within the Rocc system, or where this is done outside of the system (e.g. via email), that this is formally documented, and a record kept on file of who approved the variation.</p>		<p>at a set price. Only exceptions to these baskets will need to be agreed and the majority should fall below £5k. Any voids at present where the amount exceeds £5k following this audit, are approved by either the contracts manager or housing manager via email depending on the cost.</p> <p>c) There are some set pre approved limits such as scaffolding tower costs which Axis are able to approve and then these are checked by a Council officer at applications stage. This was completed on a contract amendment form BBC009 in February 2020 but is yet to be signed by Axis due to Covid-19.</p>	<p>c) Nicola Marsh, (Housing Manager)</p>

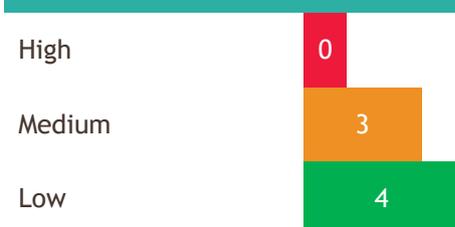
EXECUTIVE SUMMARY – RISK MANAGEMENT AND GOVERNANCE

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:



TOTAL NUMBER OF RECOMMENDATIONS: 7

BACKGROUND:

Risk management is the process of identifying and mitigating risks to the achievement of Council objectives.

The Council’s strategic and operational risk registers are held on Microsoft SharePoint and the Risk and Insurance Officer within the Financial Services team facilitates the maintenance of these registers, develops the Council’s approach and guides staff in its implementation.

The Audit and Scrutiny Committee is charged with monitoring the effective development and operation of risk management and corporate governance in the Council.

The Council’s arrangements for risk management were last audited in May 2018, which resulted in a Limited rating in respect of the design of processes and a Moderate rating in respect of the operational effectiveness of controls. The Limited rating was derived from the fact that processes were focussed primarily on strategic risks, with a need for operational risks to be brought up to the same level, and risk management was limited to senior management and not embedded across all levels within the Council.

Steps were taken by officers in 2018/19 to address the recommendations raised in the last audit. These included updating the Council’s Insurance and Risk Management Strategy to include a risk appetite statement, tolerance levels and review timescales. The strategy was approved by the former Regulatory & Governance Committee in October 2018.

The 2019/20 audit of risk management covered the Council’s processes for embedding a risk management culture across the organisation to facilitate risk identification, monitoring and mitigation of both strategic and operational risks.

GOOD PRACTICE:

- Since the last review in 2018, the Council’s Insurance and Risk Management Strategy has been updated to include a risk appetite statement, risk tolerance levels that define the frequency of review required for different levels of risk, and improvements to the risk ranking table.
- The risk registers have been refined to provide clearer prompts on the information required in recording risks.
- Processes are in place to regularly update the strategic and operational risk registers in accordance with the risk tolerance review timescales in the Strategy.
- There is a lot of guidance available on the SharePoint site for staff to refer to in identifying, assessing and managing risks and the Risk and Insurance Officer is proactive in supporting staff in this process.
- The Audit and Scrutiny Committee receives regular reports on all strategic risks and high level operational risks.

KEY FINDINGS:

We identified the following area where the control framework needs to be strengthened:

- Ensuring that all staff complete the mandatory risk management e-learning training, as current completion is below 40% (Medium).
- Increasing the engagement of staff at all levels across the organisation in risk management through formal risk discussion forums, such as departmental or team meetings (Medium).
- Re-considering the mitigating actions for a few of the very high level risks to ensure that they do not remain at the same level for too long and are appropriately mitigated down to within tolerable levels (Medium).

CONCLUSION:

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.

MANAGEMENT ACTION PLAN:

Recommendation	Priority	Management Response	Responsible Officer and Implementation Date
The Council should follow up on the individuals who have not successfully completed the mandatory risk management training	Medium	Agreed.	Sue White 31 December 2020

Recommendation	Priority	Management Response	Responsible Officer and Implementation Date
and ensure that it is completed.			
Management should seek commitment from departments that risk discussions will be included as standard agenda items in departmental or team meetings on at least a quarterly basis.	Medium	Agreed. Management can raise awareness through weekly SLT meetings and current fortnightly ELT meetings to discuss approach.	Jacqueline Van Mellaerts Immediately
<p>a) Management should ensure that all risk updates provided are sufficiently detailed to explain the effect that mitigating controls/actions are having on the risk and any other emerging developments.</p> <p>b) Management should re-consider the mitigating actions for very high level risks to ensure that they are effective in reducing risk to within tolerable levels. If very high level risks remain beyond what is considered tolerable per the Council's Insurance and Risk Management Strategy, the risk register should record officers' and member's formal acceptance of the position</p>		<p>a) Agreed - will be discussed at the next Risk working Group.</p> <p>b) Agreed - will be discussed at the next Risk working Group.</p>	<p>Jacqueline Van Mellaerts & Senior Leadership team 31 December 2020</p> <p>Jacqueline Van Mellaerts & Senior Leadership team 31 December 2020</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.	Four audits were deferred, as detailed on page 4.	
2. Actual days are in accordance with Annual Audit Plan.	This KPI has been met.	
3. Customer satisfaction reports - overall score at least 70% for surveys issued at the end of each audit.	One survey response relating to 2019/20 received, which scored 100%.	
4. Annual survey to Audit Committee to achieve score of at least 70%.	Survey to be issued in July 2020.	
5. At least 60% input from qualified staff.	This KPI has been met.	
6. Issue of draft report within 3 weeks of fieldwork 'closing' meeting.	This KPI has been missed by a few days for 2 out of 11 audits (see table below).	
7. Finalise internal audit report 1 week after management responses to report are received.	This KPI has been met for 11 out of 11 audits.	
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.	The KPI regarding Council agreement of the terms of reference has been missed for 5 out of 11 audits (see table below). The KPI regarding draft report has been missed for 6 out of 11 audits (see table below).	
10. Audit sponsor to implement audit recommendations within the agreed timeframe.	Of the 17 medium recommendations raised in respect of 2019/20 audits, 7 have been closed, 1 is in progress and 9 are not yet due.	
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
Risk management	14/7/20	14/7/20 (KPI 9 met)	16/7/20	17/7/20 (KPI 6 met)	17/7/20 (KPI 9 met)	17/7/20 (KPI 7 met)
Main financial systems	17/1/20	20/1/20 (KPI 9 met)	29/5/20	19/6/20 (KPI 6 met)	16/7/20 (KPI 9 not met by 13 days)	17/7/20 (KPI 7 met)
Financial planning and monitoring	19/2/20	25/2/20 (KPI 9 met)	29/5/20	18/6/20 (KPI 6 met)	30/6/20 (KPI 9 met)	6/7/20 (KPI 7 met)
Treasury Management	4/11/19	12/11/19 (KPI 9 not met by 2 days)	13/01/20	30/01/20 (KPI 6 met)	26/2/20 (KPI 9 not met by 13 days)	4/3/20 (KPI 7 met)
Housing benefits	31/7/19	2/8/19 (KPI 9 met)	28/8/19	19/9/19 (KPI 6 not met by 1 day)	7/10/19 and revised on 30/10/19 (KPI 9 not met by 4 days)	30/10/19 (KPI 7 met)
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)
GDPR	10/10/19	22/11/19 (KPI 9 not met by 36 days)	9/12/19	13/12/19 (KPI 6 met)	8/1/20 (KPI 9 not met by 12 days, over holiday period)	8/1/20 (KPI 7 met)
Housing repairs and maintenance	18/2/20	27/2/20 (KPI 9 not met by 2 days)	8/7/20	9/7/20 (KPI 6 met)	16/7/20 (KPI 9 met)	17/7/20 (KPI 7 met)
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)
Leisure services	25/6/19	3/7/19 (KPI 6 not met by 1 day)	26/9/2019 Follow up meeting on 20/11/19	17/12/19 (KPI 6 not met by 6 days)	13/1/20 (KPI 9 not met by 26 days, mainly due to holidays)	13/1/20 (KPI 7 met)
Food safety	8/8/19	16/8/19 (KPI 9 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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