

# INTERNAL AUDIT ANNUAL REPORT AND ANNUAL STATEMENT OF ASSURANCE

Brentwood Borough Council

2020/21

IDEAS | PEOPLE | TRUST



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# SUMMARY OF 2020/21 WORK

## Internal Audit 2020/21

This report details the work undertaken by internal audit for Brentwood Borough Council and provides an overview of the effectiveness of the controls in place for the full year. The following reports have been issued for this financial year:

- Risk Management and Governance
- Main Financial Systems
- Financial Planning and Monitoring
- Contract Management and Procurement
- Performance Management and Formal Complaints
- Disaster Recovery and Business Continuity
- Cyber Security
- Human Resources - Sickness Absence
- Fraud Risk Assessment
- Environment - Street Cleaning, Fly Tipping and Enforcement
- Licensing
- Corporate Plan
- Covid-19 Related Business Grants

We have detailed the opinions of each report and key findings on pages four to eight. Our internal audit work for the 12 month period from 1 April 2020 to 31 March 2021 was carried out in accordance with the internal audit plan approved by management and the Audit and Scrutiny Committee. The plan was based upon discussions held with management and was constructed in such a way as to gain a level of assurance on the main financial and management systems reviewed. There were no restrictions placed upon the scope of our audit and our work complied with Public Sector Internal Audit Standards.

## Head of Internal Audit Opinion

The role of internal audit is to provide an opinion to the Council, through the Audit and Scrutiny Committee, on the adequacy and effectiveness of the internal control system to ensure the achievement of the organisation's objectives in the areas reviewed. The annual report from internal audit provides an overall opinion on the adequacy and effectiveness of the organisation's risk management, control and governance processes, within the scope of work undertaken by our firm as outsourced providers of the internal audit service. It also summarises the activities of internal audit for the period.

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The basis for forming my opinion is as follows:

- An assessment of the design and operation of the underpinning Assurance Framework and supporting processes;
- An assessment of the range of individual opinions arising from risk based audit assignments contained within internal audit risk based plans that have been reported throughout the year;
- This assessment has taken account of the relative materiality of these areas and management's progress in respect of addressing control weaknesses; and
- Any reliance that is being placed upon third party assurances.

Overall, we are able to provide moderate assurance that there is a sound system of internal control, designed to meet the Council's objectives and that controls are being applied consistently.

In forming our view we have taken into account that:

- The Council has incurred an overspend against budget in 2020/21, although it has worked hard to contain this to £243,000 despite significant reductions in Government Funding and the pressures of the Covid-19 pandemic. It has demonstrated sound financial management, as evidenced by our substantial assurance opinion provided on the financial planning and monitoring audit in respect of the design and operational effectiveness of controls.
- In respect of the design of the controls, substantial assurance was provided in eight out of twelve assurance audits, moderate assurance opinions were provided in three areas and limited in one operational area (Street Cleaning/Fly Tipping/Enforcement). These opinions are a slight deterioration compared with 2019-20, when there were no limited assurances (see page 19).
- In respect of the operational effectiveness of the controls, an opinion of substantial assurance was provided in three areas, moderate assurance in six areas and limited assurance in three areas (Sickness Absence, Licensing and Street Cleaning/Fly Tipping/Enforcement). These opinions are a deterioration compared with 2019-20, when there were no limited assurances (see page 19).
- Management has responded positively to reports issued and action plans have been developed to address the recommendations raised, although we have experienced delays in responses to reports and audit requests.
- We have confirmed that 82% of recommendations due for implementation by the date of reporting had been completed, which is a decrease from the 94% in the prior year.
- Overall, therefore, we have noted a deterioration in the control environment compared to last year, although not to the extent that is necessary to downgrade our overall opinion.
- We understand that the lapse in controls in some areas this year, such as sickness absence management in the depot and the operational areas of Licensing and Street Cleaning/Fly Tipping/Enforcement is as a result of the ongoing Covid-19 pandemic and the consequent strain on resources.

Our annual report and head of internal audit opinion has been prepared based on the audit work undertaken in respect of the financial year ended 31 March 2021.

# REVIEW OF 2020/21 WORK

Report Issued	Recommendations and significance			Overall Report Conclusions (see Appendix 1)		Purpose of Audit and Summary of Key Findings / Recommendations
	H	M	L	Design	Operational Effectiveness	
Risk Management and Governance	0	2	1	Substantial	Moderate	<p>Our audit focussed on processes for identification of risks to the achievement of corporate objectives and the mapping of controls and assurances to mitigate risks, considering whether effective use is made of the three lines of defence.</p> <p>We identified the following key areas where the control framework needs to be strengthened and we raised two medium priority recommendations in respect of these issues:</p> <ul style="list-style-type: none"> <li>• Risk Management training compliance still remains low, at 40% completion rate, amongst staff and members</li> <li>• Documentation of risks and updates are lacking detail in some instances for very high and high operational risks and the effectiveness of mitigating actions is in doubt where risk scores have not changed the whole year, including asbestos and fire safety risks (Finding 3 - Medium)</li> </ul> <p>Overall, we provided substantial assurance on design and moderate assurance on the effectiveness of the key controls.</p> <p>Whilst the assurance rating remains the same as the previous review undertaken in July 2020, there have been improvements to the control framework and action taken towards addressing previous recommendations. We have noted a number of areas of good practice in the Council’s risk management arrangements.</p>
Main Financial Systems	0	5	1	Moderate	Moderate	<p>Our audit focused on the general ledger, including reconciliations for system interfaces and journals, processes for the monthly Covid-19 returns, accounts receivables and payroll. In addition, we reviewed controls where weaknesses were identified in the prior year HR recruitment audit and the treasury management audit.</p>

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						<p>We identified the following areas where the control framework needs to be strengthened and we raised five medium priority recommendations in respect of these issues:</p> <ul style="list-style-type: none"> <li>• There are unreconciled items on the housing rent control account for the months tested (November 2020 to January 2021)</li> <li>• New client accounts are self-approved by the staff member setting them up and our testing identified four instances (out of a sample of 20) where client accounts were set up without adequate supporting documentation, meaning that the basis for the creation of the account was not clear</li> <li>• There is no limit on the value of client invoices that can be raised and self-approved; our testing identified eight instances (out of a sample of 20) where invoices were raised one month or more after providing the service; and there was no or insufficient backing documentation for six (out of the sample of 20) invoices tested</li> <li>• The Council's 'Debt recovery and write off policy' needs to be reviewed and updated where necessary; our testing found nine instances (out of a sample of 15) where actions were not taken in line with the time frames stipulated within the policy</li> <li>• Evidence to support management approval for a £10 million PWLB loan taken out during the year (out of a sample of 3 tested) could not be located.</li> </ul> <p>Our audit found a number of good practices and effective controls within the Council's main financial systems, despite the impact of Covid-19. These include posting of journals; processing of new starters, leavers and payroll amendments; and approval of treasury investments. However, there is scope for improvement in the design of controls in respect of the set-up of new client accounts, the approval of invoices raised, and the debt recovery policy. Improvements can also be made in the effectiveness of controls in respect of</p>

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						<p>housing rent control account reconciliations, raising invoices, debt recovery action and evidence for approval of borrowings.</p> <p>Overall, we provided moderate assurance over both the control design and operational effectiveness.</p>
Financial Planning and Monitoring	0	0	1	Substantial	Substantial	<p>Our audit focussed on the arrangements during 2020/21 for setting the 2021/22 budget and budget monitoring arrangements in the year.</p> <p>Our audit did not identify any key areas where the control framework needs to be strengthened.</p> <p>We noted that Budget Challenge Panel sessions, which in previous years were chaired by the Chief Executive and were an example of good practice, were carried out on an informal basis during 2020/21, due to challenges arising from the Covid-19 pandemic. These are expected to return to formal arrangements going forward.</p> <p>The Council has a satisfactory system for setting budgets and monitoring financial performance, which is operating effectively. The Council is forecasting a deficit for 2020/21, however this is due to the impacts of Covid-19 which have not been fully covered by additional government funding.</p> <p>Overall, we provided substantial assurance on design and substantial assurance on the effectiveness of the key controls.</p>
Contract Management and Procurement	0	4	2	Substantial	Moderate	<p>The purpose of our audit was to assess whether the Council has sound contract management practices in place, to ensure that contracts meet the Council's aims, in addition to supporting Council objectives, along with timely information on potential contract issues to facilitate early resolution.</p> <p>We identified the following key areas where the control framework needs to be strengthened and we raised four medium priority recommendations in respect of these issues:</p> <ul style="list-style-type: none"> <li>• Training on contract management and procurement has not been provided to staff since 2016</li> </ul>

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	H	M	L	Design	Operational Effectiveness	
						<ul style="list-style-type: none"> <li>• Our testing of procurement processes identified two suppliers for which the Council did not comply with its policy of obtaining quotations and carrying out tender exercises (the value of each was approximately £40k), one instance of inconsistent documentation and one instance where evidence to support a procurement exercise was not made available for the audit</li> <li>• Our testing of contract extensions found one instance where evidence to support approval of the contract extension was not available</li> <li>• Our testing of procurement processes and contract management identified a total of four instances where there was no signed contract in place.</li> </ul> <p>The Council has a well-designed system for procuring goods and services and managing its contracts and contract monitoring arrangements are operating effectively. However, the Council's procurement policies are not always being complied with, or evidence retained to support processes, and we identified instances of signed contracts not being in place.</p> <p>Overall, we provided substantial assurance over the design of the control framework and moderate assurance over its operational effectiveness.</p>
Performance Management and Formal Complaints	0	1	2	Substantial	Moderate	<p>Our audit included reviewing the processes for capturing and reporting performance data and formal complaints, analysing complaints, ensuring the protection of personal information, and testing compliance with the Council's Complaints policy in responding to formal complaints.</p> <p>We also used data analytics to check that complaints received online through the Council's website or via a Customer Service Advisor are logged into the complaints register.</p> <p>We identified the following area where the control framework needs to be strengthened and we raised a medium priority recommendation in respect of this issue:</p> <ul style="list-style-type: none"> <li>• The Council should formally consider whether it is appropriate to extend the response deadlines set out in the Complaints Policy during the Covid-</li> </ul>

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						<p>19 pandemic, as our testing found that in five out of seven sample cases the required ten working days response time was not met for stage 1 complaints (although the initial acknowledgement to the complainant indicated that the target response time may not be met due to Covid-19).</p> <p>The Council has a well-designed system for recording, reporting and monitoring key performance indicators and complaints received. Complaints handling procedures are operating effectively, although in the current Covid-19 pandemic the target times for responding to stage 1 complaints are not always being met. Complainants are being warned upfront that the target response times may not be met due to resource constraints during the pandemic, however we would expect controls to comply with the Council's formal policy unless there is specific authorisation for them to be suspended.</p> <p>Overall, we provided substantial assurance over the design of the control framework and moderate assurance over its operational effectiveness.</p>
Disaster Recovery and Business Continuity	0	1	0	Moderate	Substantial	<p>The purpose of this audit was to assess the design and operational effectiveness of the Council's business continuity and disaster recovery controls and to highlight any areas where the controls might be improved.</p> <p>We identified the following area where the control framework needs to be strengthened and we raised one medium priority recommendation in respect of this issue:</p> <ul style="list-style-type: none"> <li>There is no business continuity and disaster recovery training programme in place for members of staff and there are no arrangements in place for testing the Council's business continuity and disaster recovery arrangements on a routine basis.</li> </ul> <p>The Council has a sound system of internal controls and has set out a business continuity strategy and policy to support its business continuity and disaster recovery plans and procedures. Whilst gaps were identified with regards to plan testing and training for members of staff, the Council's arrangements</p>

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						<p>have worked well to support the Council's response to Covid-19 and ensure the continuity of operations during the period of disruption to normal business.</p> <p>Overall, we provided moderate assurance over the Council's disaster recovery and business continuity arrangements and substantial assurance over their operational effectiveness.</p>
Cyber Security	0	3	1	Substantial	Moderate	<p>Our work was designed to provide assurance that effective controls are in place to mitigate against cyber risks, but cannot provide absolute assurance that the Council would withstand an attack on its systems.</p> <p>We identified the following areas where the control framework needs to be strengthened and we raised three medium priority recommendations in respect of these issues:</p> <ul style="list-style-type: none"> <li>• Cyber security awareness training has not been provided to staff and Members this year</li> <li>• The draft cyber incident response plan has not yet been finalised and ratified</li> <li>• Whilst there is a software tool in place that monitors and alerts cyber threats and the Council is continually adapting to new threat landscapes, currently no internal vulnerability scans are performed on the Council's IT network which leaves the Council at risk of vulnerabilities not being resolved.</li> </ul> <p>Overall, there is a robust framework in place for cyber security management and the Council has taken actions to design the configuration of its IT network perimeter security controls so that the exposure to a cyber-attack is reduced.</p> <p>However, we found that absence of a defined cyber security training programme increases the risk that the actions of a member of staff result in the security of the Council's IT network being compromised. The plan to respond to cyber-incidents has not being finalised, which could affect the Council's ability to recover from an incident and could disrupt its ability to provide critical services to the public. Additionally, absence of regular scan for vulnerabilities and</p>

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						<p>security issues increases the risk of security of the Council's IT network being compromised.</p> <p>We provided moderate assurance over the design and operational effectiveness of the controls in place for the Council in relation to cyber security.</p>
Human Resources - Sickness Absence	1	4	0	Substantial	Limited	<p>Our audit included review of the Council's Absence Management Policy and associated guidance/templates, testing a sample of recorded staff absence during 2020/21 to check compliance with the policy, processes for updating payroll information for sickness absence and action taken by the Council to promote staff wellbeing.</p> <p>We also used data analytics to identify trends in staff sickness absence during 2020/21, in particular frequent short-term absences, long-term absences and other patterns of sickness absence that may indicate cause for concern.</p> <p>We identified the following areas where the control framework needs to be strengthened and we raised one high priority and four medium priority recommendations in respect of these issues:</p> <ul style="list-style-type: none"> <li>• Depot staff to complete sickness self-certification forms on return to work for absences of less than seven days, or provide fitness for work certificates from their doctors or hospitals for absences over seven days, as our testing found that this was not done in nine out of 12 absences tested (High)</li> <li>• Line managers for Depot staff to maintain regular contact with employees who have been off sick for more than four weeks and maintain a record of this contact, as no evidence of this could be provided in all five absences tested where this was applicable</li> <li>• Line managers for Depot staff to carry out return to work interviews, as this was not done in all 12 absences tested</li> <li>• Line managers to monitor sickness levels for trigger events and ensure that the Council's stages of absence management process is complied</li> </ul>

Report Issued	Recommendations and significance			Overall Report Conclusions (see Appendix 1)		Purpose of Audit and Summary of Key Findings / Recommendations
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						<p>with, as no evidence of this could be provided for five out of the nine absences tested where this was applicable</p> <ul style="list-style-type: none"> <li>Ensure that the correct number of sickness days is input into DASH (for non-Depot staff) and recorded correctly in the payroll system (for Depot and non-Depot staff), as our audit found that the sickness days recorded in the payroll system was incorrect for four out of the 20 absences tested (errors of 1 or 2 days, which did not result in any payment errors).</li> </ul> <p>The Council has a comprehensive sickness absence policy and a well-designed process to manage sickness absence. It also actively promotes and supports staff wellbeing. However, our testing of compliance with the Council's policy identified a number of exceptions, particularly in respect of Depot staff absence. We understand that some of this lapse in compliance is due to challenges posed by the Covid-19 pandemic, however we would expect controls to continue to comply unless there is specific authorisation for them to be suspended.</p> <p>Overall, we provided substantial assurance over the design of the control framework but limited assurance over its operational effectiveness.</p>
Fraud Risk Assessment	0	13	22	N/A	N/A	<p>The review considered the following fraud risk areas which are deemed to be some of the highest risk areas for fraud in Local Government:</p> <ul style="list-style-type: none"> <li>Procurement and contract management</li> <li>Identity fraud for employees and benefit claimants</li> <li>Disabled facility grants</li> <li>Members' interests and conflicts of interests</li> <li>Investment properties.</li> </ul> <p>As this was an advisory review, no assurance opinion was provided.</p> <p>Our fraud risk assessment identified one high risk fraud area, in relation to Housing Benefit claimant identity. There is an inherent risk that some</p>

Report Issued	Recommendations and significance			Overall Report Conclusions (see Appendix 1)		Purpose of Audit and Summary of Key Findings / Recommendations
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						<p>applications will contain fraudulent information. In addition, national indications are that the number of fraudulent claims have increased during the Covid-19 pandemic. The Revenue &amp; Benefits (R&amp;B) Team at Basildon Council shared service consists of experienced and trained Benefits Assessment Officers, who review the documentation submitted for any fraud indicators. However, given the heightened risk in the current economic climate, we recommend that the Council and the shared service review the level of scrutiny and checks being carried out, and the associated resourcing, taking account of the Council's risk appetite.</p> <p>We identified 13 medium fraud risks, which need to be prioritised to help reduce the risk of fraud in these areas. In addition, we identified 22 low risk areas, which generally relate to inherent risks and for which there are controls in place to manage these risks.</p> <p>We developed an action plan, for the urgent and high priority risk areas.</p>
Enforcement - Street Cleaning, Fly Tipping and Enforcement	2	4	0	Limited	Limited	<p>Our audit focused on the management of the Council's Street Cleaning service, in addition to compliance with the Environmental Protection Act 1990. The scope of our review also covered the management of health and safety risks, the risk assessments review process, defined roles and responsibilities, site visit reviews and the monitoring of health and safety incidents.</p> <p>We identified the following areas where the control framework needs to be strengthened and we raised two high priority and four medium priority recommendations in respect of these issues:</p> <p>Street Care Team (SCT)-</p> <ul style="list-style-type: none"> <li>There are currently no controls in place for monitoring or reporting service performance of the SCT's day to day operations. No SCT key performance indicators (KPIs) have been defined, monitored or reported to any relevant monitoring committees with delegated authority such as Environmental, Enforcement and Housing Committee (High)</li> </ul>

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						<ul style="list-style-type: none"> <li>The Council is in the process of reclassifying its lands, according to the intensity of use zones, as required by the revised Code of Practice (CoP). This is a work in progress and has not made the CoP deadline of September 2020 due to Covid 19</li> <li>There are no formal and documented procedures or protocols in place defining the scope of the services provided by the SCT and providing guidance on how the workload is scheduled, conducted, completed, managed and how resources are allocated. Several different templates of work schedules are being used by the SCT, to document daily operations for different activities, developed on the basis of historical unstructured working practices. The work is allocated at undocumented intervals, with no fixed timeframes attached.</li> </ul> <p>Corporate Health &amp; Safety Team -</p> <ul style="list-style-type: none"> <li>The SCT risk assessments were found to be out of date at the time of the audit and were last reviewed in November 2017. There was no formal process defined for measuring progress of the mitigations and if any monitoring or reviews were undertaken</li> <li>The Council's Health and Safety policy was found to be out of date at the time of the audit and was last reviewed in September 2018.</li> </ul> <p>Environmental Health and Enforcement Team -</p> <ul style="list-style-type: none"> <li>There are no formal or documented enforcement protocols in place, providing guidance on their activities and current working practices. No risk profiling has been undertaken to guide the enforcement process and focus on the areas of the greatest risk. The enforcement team is not actively monitoring the FPNs issued to ensure they have been paid. In addition, information on fly tipping incidents investigated and complaints received is limited, with long delays identified for dealing with complaints (over 7 months in two cases). (High)</li> </ul>

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	H	M	L	Design	Operational Effectiveness	
						<p>Our review identified weaknesses in the system of internal controls in place, with a number of significant gaps identified in procedures and controls in key areas of the SCT and enforcement team. In particular, there is a need for KPIs for the SCT and up to date policies and procedures, as well as better monitoring of FPNs and fly tipping incidents.</p> <p>This led us to our opinion of “Limited” assurance for both control design and operational effectiveness.</p>
Licensing	2	4	1	Moderate	Limited	<p>The purpose of our audit was to review a sample of 24 different types of licence applications (including new applications, renewals, and transfers) to check whether the correct checks were carried out and the processing and issuing of licences were timely. We also reviewed the policies and guidance documentation in place for different licence types, the adequacy of staff training within the Licensing Team, and the adequacy of licensing enforcement processes including sample testing of complaints processing.</p> <p>We identified the following key areas where the control framework needs to be strengthened and we raised two high priority and four medium priority recommendations in respect of these issues:</p> <ul style="list-style-type: none"> <li>• Licences are not always issued appropriately in line with the Council’s policies and procedures. We identified cases where licences were issued without appropriate checks being carried out, information not always recorded clearly on the Uniform system, licences issued prior to expiry of consultation periods, and an application form which is not up to date, reflecting the current requirements (High)</li> <li>• Supporting documentation for applications (such as DBS checks) was not available in some cases, as well as supporting documentation of checks carried out by the Council, such as premises inspections (High)</li> <li>• We reviewed all policies and guidance documentation including Statement of Gambling Policy, Statement of Licensing Policy, Taxi Licensing guidance (Licensing of Hackney Carriage &amp; Private Hire Vehicle Drivers - Policy Statement Regarding the relevance of</li> </ul>

Report Issued	Recommendations and significance			Overall Report Conclusions (see Appendix 1)		Purpose of Audit and Summary of Key Findings / Recommendations
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						<p>convictions), and the Street Trading and Market Policy and found that they were all overdue for review. The Taxi Licensing guidance has just been reviewed for the first time since 2002</p> <ul style="list-style-type: none"> <li>• A fee within our testing sample was incorrectly charged, based on the previous year's agreed fees which was £50 lower</li> <li>• Some complaints did not have evidence of acknowledgement letters being sent to complainants, and actions and outcomes were not always recorded on Uniform</li> <li>• The processing of applications is not always timely.</li> </ul> <p>Overall, we provide moderate assurance with regards to control design and a limited level of assurance over the effectiveness of controls.</p>
Corporate Strategy	0	3	1	Substantial	Moderate	<p>Our audit included reviewing the processes for engaging with staff in the development of the Corporate Strategy and annual objectives; reviewing alignment with the underlying business plan, service plans, strategies and the Medium Term Financial Strategy; and reviewing monitoring and reporting arrangements.</p> <p>Overall, the focus of the audit was on the arrangements for ensuring that the Corporate Strategy and annual objectives convert into a reality and less on the process adopted in developing the strategy. However, the audit referred to some of the development and planning processes in seeking to understand the strength of the overall framework.</p> <p>We identified the following areas where the control framework needs to be strengthened and we raised three medium priority recommendations in respect of these issues:</p> <ul style="list-style-type: none"> <li>• Management should assess whether any projects need to be set up to ensure the delivery of any of the outstanding or ongoing 2020/21 strategic objectives, as there are currently no active projects in place for 18 of the 25 objectives, and the Business and Recovery Plan register</li> </ul>

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						<p>should be updated to include a status rating for six strategic objectives that do not currently have a rating</p> <ul style="list-style-type: none"> <li>• Service plans for Corporate Finance, Risk &amp; Insurance and Communications have yet to be completed and made available to staff, and service plans should clearly cross refer to all relevant current year strategic objectives</li> <li>• Appropriate time lines should be set for completion and publication of the ten strategies supporting the Corporate Strategy that are still in the process of being developed, updated or reviewed.</li> </ul> <p>The Council has a well-designed system for engaging with staff in the development of the Corporate Strategy and monitoring and reporting on progress against strategic objectives. Further recovery actions have been identified to address the Council's approach to the impacts of Covid-19. However, the alignment between the strategic objectives and underlying service plans and personal development plans is not clear, and a number of strategic objectives do not have underlying project plans.</p> <p>Overall, we provided substantial assurance over the design of the control framework and moderate assurance over its operational effectiveness.</p>
Covid-19 Related Business Rate Grants	0	0	0	Substantial	Substantial	<p>Our audit focussed on comparing the business name and address on the grant application form to the Civica system, Companies House, Experian and Charity's Commission (where applicable) and verifying mismatches. We also checked that payments agreed to bank account details on the application forms. We could not verify bank account details to Civica as this information is not held in the system. In addition, we confirmed the applicant's eligibility based on the Government's guidance for each grant type, to ensure that the correct amount of grant was awarded.</p> <p>Our audit did not identify any exceptions and therefore we are satisfied that the Council had adequate and effective processes in place for awarding grants</p>

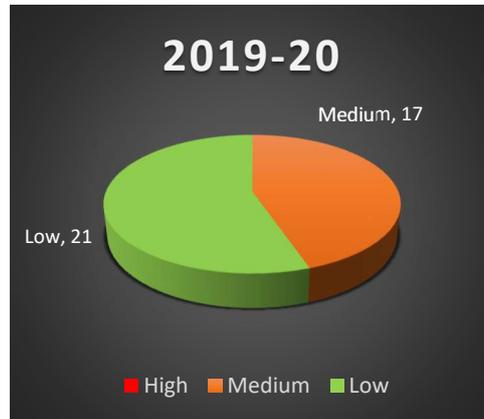
Report Issued	Recommendations and significance			Overall Report Conclusions (see Appendix 1)		Purpose of Audit and Summary of Key Findings / Recommendations
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						<p>in relation to the SBF, RHLG and LADGF, to ensure that funds were only paid to eligible businesses.</p> <p>We provided substantial assurance on both the design and effectiveness of the key controls operated by Basildon's Revenues and Benefits section in awarding these grants, as our independent checks did not identify any exceptions. This was based on a sample and therefore does not provide absolute assurance that there was no fraud or error in the payments made.</p>

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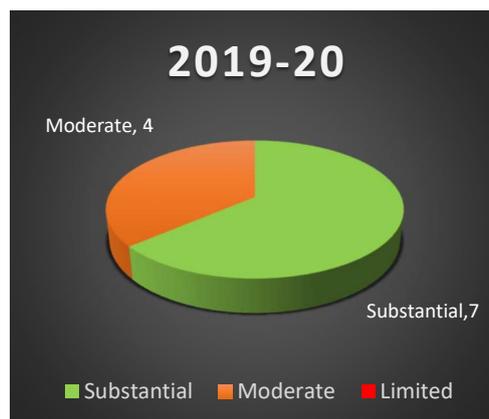
# SUMMARY OF FINDINGS

## RECOMMENDATIONS AND ASSURANCE DASHBOARD

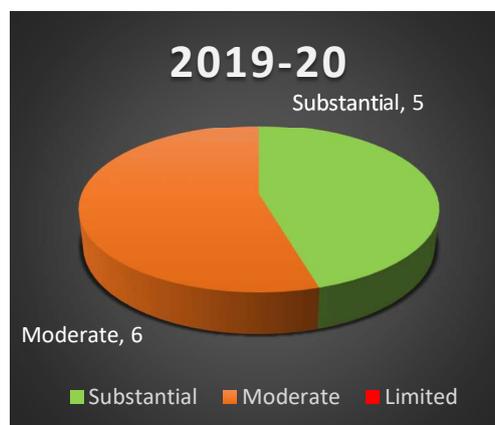
### Recommendations and Significance



### Control Design



### Operational Effectiveness



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## ADDED VALUE



### USE OF SPECIALISTS

We used our IT specialists to deliver the Disaster Recovery & Business Continuity and Cyber Security audits and an accredited counter fraud specialist to carry out the Fraud Risk Assessment.



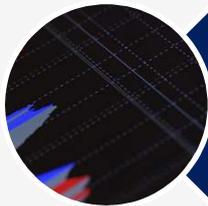
### RESPONSIVENESS

We have been able to be flexible with the plan to respond to emerging risks and concerns, e.g. replacement of the Car Parking audit with an audit of Covid-19 Business Grants and the deferral of the Housing audit to 2021/22, at the request of management.



### BENCHMARKING AND BEST PRACTICE

We have shared best practice examples from our clients and other local government bodies in a number of our reviews e.g. in advising the Council on the format of its risk register.



### INNOVATION

We have utilised Microsoft Teams to hold meetings with officers and review data through screen sharing during the lockdown.

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## KEY THEMES



### PEOPLE

Clarity of roles and responsibilities was evident in the majority of areas reviewed. However, we found that staff are not always attending required training e.g. Risk Management, or there is a need to update training provided e.g. Contract Management & Procurement, Business Continuity & Disaster Recovery, Cyber Security and Licensing.



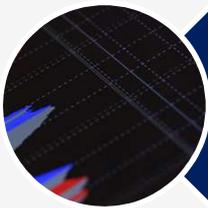
### SYSTEMS & PROCESSES

We noted a deterioration in compliance with policies during the pandemic in areas such as Licensing and Sickness Absence in the depot. However, compliance with financial procedures was much better.



### POLICES & PROCEDURES

Policies and procedures are generally in place, although they are in need of updating in some areas e.g. Licensing, and Street Cleaning/Fly Tipping/Enforcement.



### GOVERNANCE & FOLLOW UP

Governance and reporting requirements were found to be well defined and understood through our audits of Corporate Strategy, Risk Management, and Financial Planning & Control. Progress in addressing outstanding internal audit recommendations is in need of improvement.

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# BACKGROUND TO ANNUAL OPINION

## Introduction

Our role as internal auditors to Brentwood Borough Council is to provide an opinion to the Council, through the Audit and Scrutiny Committee, on the adequacy and effectiveness of the internal control system to ensure the achievement of the organisation's objectives in the areas reviewed. Our approach, as set out in the firm's Internal Audit Manual, is to help the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Our internal audit work for the 12 month period from 1 April 2020 to 31 March 2021 was carried out in accordance with the internal audit plan approved by management and the Audit and Scrutiny Committee, adjusted during the year for any emerging risk issues. The plan was based upon discussions held with management and was constructed in such a way as to gain a level of assurance on the main financial and management systems reviewed. There were no restrictions placed upon the scope of our audit and our work complied with Public Sector Internal Audit Standards.

The annual report from internal audit provides an overall opinion on the adequacy and effectiveness of the organisation's risk management, control and governance processes, within the scope of work undertaken by our firm as outsourced providers of the internal audit service. It also summarises the activities of internal audit for the period.

## Scope and Approach

### Audit Approach

We have reviewed the control policies and procedures employed by Brentwood Borough Council to manage risks in business areas identified by management set out in the 2020/21 Internal Audit Annual Plan approved by the Audit and Scrutiny Committee. This report is made solely in relation to those business areas and risks reviewed in the year and does not relate to any of the other operations of the organisation. Our approach complies with best professional practice, in particular, Public Sector Internal Audit Standards, the Chartered Institute of Internal Auditors' Position Statement on Risk Based Internal Auditing.

We discharge our role, as detailed within the audit planning documents agreed with Brentwood Borough Council management for each review, by:

- Considering the risks that have been identified by management as being associated with the processes under review
- Reviewing the written policies and procedures and holding discussions with management to identify process controls
- Evaluating the risk management activities and controls established by management to address the risks it is seeking to manage
- Performing walkthrough tests to determine whether the expected risk management activities and controls are in place
- Performing compliance tests (where appropriate) to determine that the risk management activities and controls have operated as expected during the period.

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The opinion provided on page 3 of this report is based on historical information and the projection of any information or conclusions contained in our opinion to any future periods is subject to the risk that changes may alter its validity.

### **Reporting Mechanisms and Practices**

Our initial draft reports are sent to the key officer responsible for the area under review in order to gather management responses. In every instance there is an opportunity to discuss the draft report in detail. Therefore, any issues or concerns can be discussed with management before finalisation of the reports.

Our method of operating with the Audit and Scrutiny Committee is to agree reports with management and then present and discuss the matters arising at the Audit and Scrutiny Committee meetings.

### **Management actions on our recommendations**

Management have generally been conscientious in reviewing and commenting on our reports and have responded positively to the report findings. The responses indicate that appropriate steps to implement our recommendations are expected.

### **Recommendations follow-up**

Implementation of recommendations is a key determinant of our annual opinion. If recommendations are not implemented in a timely manner then weaknesses in control and governance frameworks will remain in place. Furthermore, an unwillingness or inability to implement recommendations reflects poorly on management's commitment to the maintenance of a robust control environment.

Significant effort has been made in the year and to the date of this report to implement recommendations and to provide evidence to close long outstanding recommendations.

### **Relationship with external audit**

All our final reports are available to the external auditors through the Audit and Scrutiny Committee papers and are available on request. Our files are also available to external audit should they wish to review working papers to place reliance on the work of internal audit.

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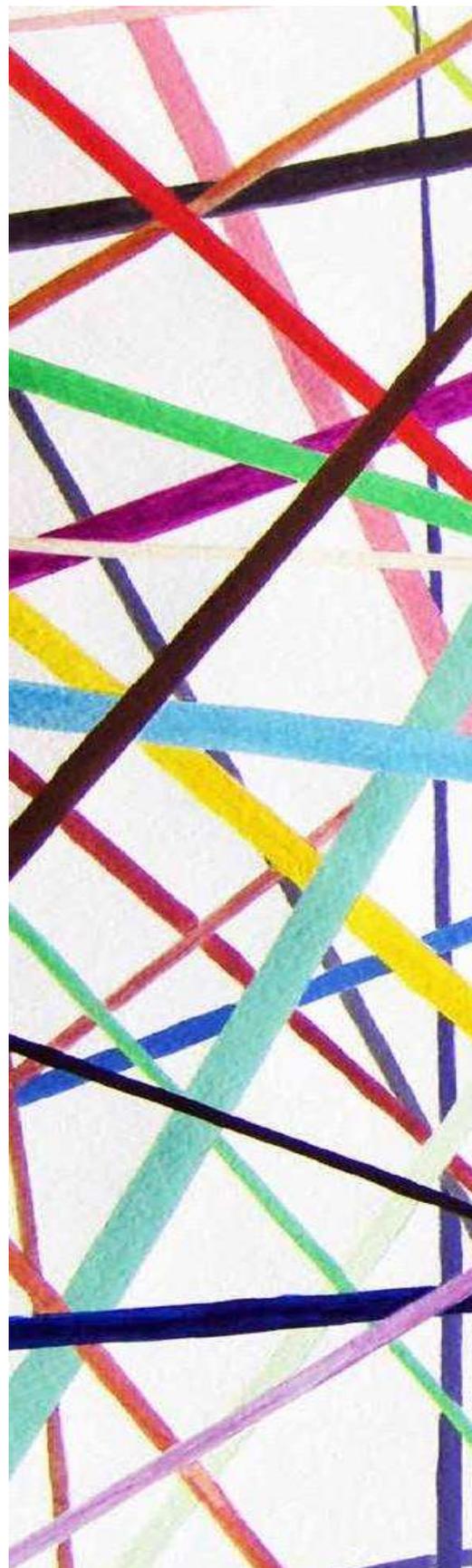
## Report by BDO LLP to Brentwood Borough Council

As the internal auditors of Brentwood Borough Council we are required to provide the Audit and Scrutiny Committee and officers with an opinion on the adequacy and effectiveness of risk management, governance and internal control processes, as well as arrangements to promote value for money.

In giving our opinion it should be noted that assurance can never be absolute. The internal audit service provides Brentwood Borough Council with Moderate assurance that there are no major weaknesses in the internal control system for the areas reviewed in 2020/21. Therefore, the statement of assurance is not a guarantee that all aspects of the internal control system are adequate and effective. The statement of assurance should confirm that, based on the evidence of the audits conducted, there are no signs of material weaknesses in the framework of control.

In assessing the level of assurance to be given, we have taken into account:

- All internal audits undertaken by BDO LLP during 2020/21
- Any follow-up action taken in respect of audits from previous periods for these audit areas
- Whether any significant recommendations have not been accepted by management and the consequent risks
- The effects of any significant changes in the organisation's objectives or systems
- Matters arising from previous internal audit reports to Brentwood Borough Council
- Any limitations which may have been placed on the scope of internal audit - no restrictions were placed on our work.



# KEY PERFORMANCE INDICATORS 2020/21

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 3.	
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.	Survey responses received to date have been very positive.	
4. Annual survey to Audit and Scrutiny Committee to achieve score of at least 70%.	Annual survey responses for 2019/20 scored between 80% and 100%. 2020/21 survey in progress.	
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 met for 9 out of 13 audits (see table below).	
7. Finalise internal audit report 1 week after management responses to report are received.	This KPI has been met for 12 out of 12 audits (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.	The KPI regarding Council agreement of the terms of reference has been met for 11 out of 13 audits (see table below). The KPI regarding draft report has been met for 7 out of 13 audits (see table below).	
10. Audit sponsor to implement audit recommendations within the agreed timeframe.	Of the 49 recommendations raised in 2020/21 (13 of which relate to a fraud risk assessment), 4 have been completed, 19 are in progress (two of which are high priority) and 26 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 (2020/21 AUDITS)**

<b>Audit</b>	<b>Draft TOR issued</b>	<b>Management response to TOR received</b>	<b>Closing meeting</b>	<b>Draft report issued</b>	<b>Management response to draft report received</b>	<b>Final report issued</b>
Risk Management	08/01/21	08/01/21 (KPI 9 met)	25/3/21 (further info received)	21/06/21 (KPI 6 not met)	24/06/21 (KPI 9 met)	28/06/21 (KPI 7 met)
Main Financial Systems	05/02/21	10/02/21 (KPI 9 met)	08/06/21	17/06/21 (KPI 6 met)	28/06/21 (KPI 9 met)	28/06/21 (KPI 7 met)
Financial Planning and Monitoring	08/02/21	10/02/21 (KPI 9 met)	22/04/21	26/05/21 (KPI 6 not met)	15/06/21 (KPI 9 met)	17/06/21 (KPI 7 met)
Contract Management and Procurement	12/08/20	19/08/20 (KPI 9 met)	08/02/21	26/02/21 (KPI 6 met)	02/03/21 (KPI 9 met)	02/03/21 (KPI 7 met)
Performance Management & Formal Complaints	08/09/20	09/09/20 (KPI 9 met)	29/10/20	02/11/20 (KPI 6 met)	06/11/20 (KPI 9 met)	09/11/20 (KPI 7 met)
Disaster Recovery & Business Continuity	06/10/20	07/10/20 (KPI 9 met)	04/12/20	14/12/20 (KPI 6 met)	11/02/21 (KPI 9 not met)	15/01/21 (KPI 7 met)
Cyber Security	26/11/20	15/12/21 (KPI 9 not met)	14/01/21	18/01/21 (KPI 6 met)	02/03/21 (KPI 9 not met)	03/03/21 (KPI 7 met)
Sickness Absence	26/08/20	31/08/20 (KPI 9 met)	20/10/20	25/10/20 (KPI 6 met)	11/11/20 (KPI 9 not met)	13/11/20 (KPI 7 met)
Fraud Risk Assessment	02/09/20	07/09/20 (KPI 9 met)	22/09/20	13/10/20 (KPI 6 met)	16/11/20 (KPI 9 not met)	16/11/20 (KPI 7 met)
Street Cleaning, Fly Tipping & Enforcement	09/10/20	11/11/20 (KPI 9 not met)	23/12/20 (further info received)	8/01/21 (KPI 6 met)	03/03/21 (KPI 9 not met)	03/03/21 (KPI 7 met)
Covid-19 Related Grants	11/09/20	14/09/20 (KPI 9 met)	22/3/21 (further info received)	21/06/21 (KPI 6 not met)	21/06/21 (KPI 9 met)	28/06/21 (KPI 7 met)
Licensing	05/01/21	07/01/21 (KPI 9 met)	14/04/21	21/05/21 (KPI 6 not met)	28/06/21 (some 'TBC's') (KPI 9 not met)	Cannot yet finalise
Corporate Strategy	21/08/20	24/08/20 (KPI 9 met)	02/11/20	09/11/20 (KPI 6 met)	16/11/20 (KPI 9 met)	16/11/20 (KPI 7 met)

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**KEY FOR RAG RATING:**



= met target



= not met target



= partly met target



= not applicable



# APPENDIX I

ANNUAL OPINION DEFINITION	
<b>Substantial - Fully meets expectations</b>	Our audit work provides assurance that the arrangements should deliver the objectives and risk management aims of the organisation in the areas under review. There is only a small risk of failure or non-compliance.
<b>Moderate - Significantly meets expectations</b>	Our audit work provides assurance that the arrangements should deliver the objectives and risk management aims of the organisation in the areas under review. There is some risk of failure or non-compliance.
<b>Limited - Partly meets expectations</b>	Our audit work provides assurance that the arrangements will deliver only some of the key objectives and risk management aims of the organisation in the areas under review. There is a significant risk of failure or non-compliance.
<b>No - Does not meet expectations</b>	Our audit work provides little assurance. The arrangements will not deliver the key objectives and risk management aims of the organisation in the areas under review. There is an almost certain risk of failure or non-compliance.

REPORT OPINION SIGNIFICANCE DEFINITION				
Level of Assurance	Design Opinion	Findings	Effectiveness Opinion	Findings
<b>Substantial</b> 	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
<b>Moderate</b> 	In the main, there are appropriate procedures and controls in place to mitigate the key risks reviewed, albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of noncompliance with some controls that may put some of the system objectives at risk.
<b>Limited</b> 	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
<b>No</b> 	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non-compliance and/or compliance with inadequate controls.

RECOMMENDATION SIGNIFICANCE DEFINITION	
<b>High</b>	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.
<b>Medium</b>	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.
<b>Low</b>	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.



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