

Committee: Audit and Scrutiny Committee	Date: 6 July 2021
Subject: Internal Audit Progress Report 2020-21	Wards Affected: All
Report of: Jacqueline Van Mellaerts, Corporate Director (Finance & Resources) and Section 151 Officer	Public
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Summary

This report is intended to inform the Audit and Scrutiny Committee of progress made against the 2020/21 internal audit plan.

The following reports have been finalised since the last Committee:

- Risk Management (Substantial/Moderate)
- Main Financial Systems (Moderate/Moderate)
- Financial Planning and Monitoring (Substantial/Substantial)
- Covid-19 related grants (Substantial/Substantial)
- Licensing. (Moderate/Limited)

Main Report

Introduction and Background

1. This report is intended to inform the Audit and Scrutiny Committee of progress made against the 2020/21 internal audit plan. It summarises the work internal audit have done, together with their assessment of the systems reviewed and the recommendations they have raised.
2. Their work complies with Public Sector Internal Audit Standards. As part of their audit approach, they 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 them to give assurance on the risk management and internal control processes in place to mitigate the risks identified.
3. The Audit Committee approved the 2020/21 annual audit plan in March 2020. The progress against plan is reported at every Audit and Scrutiny Committee during 2020/21.

Issue, Options and Analysis of Options

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

- Risk Management (Substantial/Moderate)
- Main Financial Systems (Moderate/Moderate)
- Financial Planning and Monitoring (Substantial/Substantial)
- Covid-19 related grants (Substantial/Substantial)
- Licensing. (Moderate/Limited)

The conclusion of each audit is as follows:

Risk Management (Substantial/Moderate)

5. Overall, we provide substantial assurance on design and moderate assurance on the effectiveness of the key controls.

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.

We have raised two medium priority recommendations to improve completion rates on risk management training and to improve the effectiveness of mitigating actions in ensuring that they reduce risk scores to within tolerable levels.

We have also raised one low priority recommendation and an observation that the Council may benefit from considering its control measures in the context of the three lines of defence model in detecting and managing risks.

Main Financial Systems (Moderate/Moderate)

6. Our audit has 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 housing rent control account reconciliations, raising invoices, debt recovery action and evidence for approval of borrowings.

We have therefore provided a moderate assurance over both the control design and operational effectiveness. We have raised five medium priority and one low priority recommendations.

Financial Planning and Monitoring (Substantial/Substantial)

7. 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.

Overall, we provide substantial assurance on design and substantial assurance on the effectiveness of the key controls.

Covid-19 related grants (Substantial/Substantial)

8. We provide 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 have not identified any exceptions.

Licensing. (Moderate/Limited)

9. We have raised 2 high level findings relating to appropriate checks not always being carried out, and supporting documentation not being available. We also raised four medium level findings relating to policies being overdue for review, an incorrect fee charge, processing of licences not being timely, and insufficient recording of complaints correspondence, actions and outcomes. We have therefore concluded on a moderate level of assurance with regards to control design, and a limited level of assurance over the effectiveness of controls.
10. A Summary of outstanding Recommendations from previous audits are included in Appendix B – Follow up report.
11. This is regularly monitored by Senior Officers and will be followed up again ahead of the next Audit and Scrutiny Committee, along with other recommendations due by 30 October 2021.

Consultation

Not applicable.

References to Corporate Strategy

To ensure the Council is effective and efficient by delivering services that are value for money and meet the needs of our residents.

Implications

Financial Implications

Name/Title: Jacqueline Van Mellaerts, Corporate Director (Finance & Resources) and Section 151 Officer.

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There are no direct financial implications arising from this report.

Legal Implications

Name & Title: Amanda Julian, Corporate Director (Law & Governance) and Monitoring Officer

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There are no legal implications arising from this report.

Economic Implications

Name/Title: Phil Drane, Corporate Director (Planning & Economy)

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There are no economic implications arising from this report.

Background Papers

None

Appendices to this report

Appendix A – Internal Audit Progress Report

Appendix B – Internal Audit Follow Up Report