

INTERNAL AUDIT PROGRESS REPORT

BRENTWOOD BOROUGH COUNCIL

JULY 2022

IDEAS | PEOPLE | TRUST



CONTENTS

	Page
Summary of 2021/22 Work	3
Executive Summaries of Final Reports:	
• Capital projects	5
• Financial planning and monitoring	8
• Main financial systems	11
• Risk management	15
• Partnerships	19
Key Performance Indicators	22
Appendix I: Internal Audit Opinion Definitions	25

SUMMARY OF 2021/22 WORK

Internal Audit

This report is intended to inform the Audit and Scrutiny Committee of progress made against the 2021/22 internal audit plan. 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.

2021/22 Internal Audit Plan

The followings reports have been finalised since our last progress report to the Audit and Scrutiny Committee, in March 2022 and the executive summaries are included in this report:

- Capital projects
- Financial planning and monitoring
- Main financial systems
- Risk management
- Partnerships

The following report has been issued in draft and we are awaiting comments from the Council:

- Section 106 agreements (including affordable housing)

Work on the Democratic Services audit is in progress, and we are awaiting information from the Council to complete our fieldwork. We have agreed with officers that we will carry the completion of this audit over into our 2022/23 Audit Plan.

Changes to the Plan

We agreed changes to the timings of the audit below, at the request of officers:

- Covid-19 Grants Expenditure - moved from Q1 to Q2 - completed
- Planning - moved from Q2 to Q3 - completed
- Building control - moved from Q2 to Q4 - completed
- Affordable Housing - moved from Q2 to Q4 - completed
- Democratic services - moved from Q2 to Q4 and into 2022/23

2022/23 Internal Audit Plan

We are currently waiting for the Council to engage us for the 2022/23 audit year and, subject to a contract being agreed, expect to be able to provide an Audit Plan for the next meeting.

REVIEW OF 2021/22 WORK

Audit	Exec Lead	Start Date	Planning	Fieldwork	Reporting	Design	Effectiveness	
Affordable Housing (carried forward from 2020/21)	Tracey Lilley	Q4	✓	✓	✓ Draft			
Risk Management	Jacqui Van Mellaerts	Q4	✓	✓	✓ Final			
Main Financial Systems	Jacqui Van Mellaerts	Q4	✓	✓	✓ Final			
Covid-19 Grants Expenditure	Jacqui Van Mellaerts	Q1	✓	✓	✓ Final			
Financial Planning and Monitoring	Jacqui Van Mellaerts	Q4	✓	✓	✓ Final			
Capital projects	Jacqui Van Mellaerts	Q3	✓	✓	✓ Final			
Partnerships	Greg Campbell	Q3	✓	✓	✓ Final			
Local Development Plan	Phil Drane	Q2	✓	✓	✓ Final			
IT Data Breaches	Sarah Bennett	Q2	✓	✓	✓ Final			
Building Control	Phil Drane	Q4	✓	✓	✓ Final			
Planning	Phil Drane	Q2	✓	✓	✓ Final			
Housing - Homelessness	Tracey Lilley	Q3	✓	✓	✓ Final			
Democratic Services	Amanda Julian	Q4	✓	In progress				
Follow Up	Jacqui Van Mellaerts	Ongoing	-----Separate follow up reports-----					

EXECUTIVE SUMMARY – CAPITAL PROJECTS

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: 1

BACKGROUND:

Bids for capital projects are considered in the Council’s budget setting process each year. Where a capital need has been identified, budget managers are required to liaise with their link accountant to complete a growth bid template and an options appraisal that demonstrates value for money. These are required to be submitted between September and October each year, in line with the Council’s budget setting timetable, and scrutinised by the Section 151 Officer before being presented to the Senior Leadership Team (SLT) for approval. Larger schemes require further scrutiny by the Policy, Resources and Economic Development (PRED) Committee before being approved by Ordinary Council.

The approved capital programme is monitored on a monthly basis by both budget managers and link accountants, using the Collaborative Planning system. Monitoring of the capital programme is also done by the SLT, with oversight by the PRED Committee.

The Council’s capital programme for 2021/22 includes several schemes totalling £20.8 million, with each scheme aligned to the Council’s Corporate Strategy. The programme is being funded by capital funding from both the General Fund (£8.5 million) and the HRA (£12.3 million). In addition, there are schemes totalling £12.4 million brought forward from prior years, resulting in a total of 33 capital projects at a budgeted cost of £33.2 million.

For 2021/22, the following capital schemes were budgeted for:

- Protecting our Environment - Vehicle fleet management, open spaces infrastructure, low emissions infrastructure and car parking improvement

- Developing our Communities - Play area refurbishment, King George's Pavilion refurbishment
- Improving Housing - Home repair assistance grants, disabled facilities grants, HRA decent homes programme and strategic housing delivery programme
- Delivering an Efficient and Effective Council - Asset management strategy, asset development, ICT strategy, ICT hardware, software infrastructure, and strategic property acquisitions.

As at February 2022, officers forecast an underspend of £15 million against the £33.2 million budgeted spend, of which £13.5 million is attributed to slippage in schemes. The Capital and Investment Strategy 2022/23 presented to Ordinary Council in February 2022, set out the key areas of slippage and some of the reasons for the slippage, such as delays to works starting, delays to contracts being agreed, projects being affected by resources and weather, and projects requiring re-profiling.

Our audit involved testing a sample of ten capital projects in place as at October 2021 for evidence of growth bid templates, funding approvals and procurement processes. We also reviewed overall arrangements for monitoring the capital programme progress and expenditure.

GOOD PRACTICE:

Our audit identified the following good practice areas:

- **Capital procurement:** Our testing of a sample of ten capital projects found that appropriate procurement processes were followed in the selection of contractors for six of the projects, and the tender documentation provided confirmed the contract was awarded to the highest scoring supplier for five of the projects (the Council was in the process of evaluating the bids for the other project at the time of the audit). For the remaining four cases, no formal tendering exercise was carried out due to the capital project either being several small orders or simply a budget allocation.
- **Capital budget monitoring:** Progress on the Council's Capital Programme is reported regularly to PRED as part of the Budget Monitoring Update report presented by the Corporate Director (Finance & Resources). The Capital Financial Dashboards included in the reports provide a breakdown of spend by directorate and list the top five capital projects by their allocated budget. Our discussions with officers and review of reports indicate that the reasons for variances, including slippage on schemes, are understood.
- **Capital project performance monitoring:** Programme Board Summary Reports are presented to SLT on a monthly basis, in which projects are RAG rated and clearly highlight those requiring more attention.
- **Programme & Projects Team:** The team, which acts as an intermediary between Finance and SLT in monitoring projects, consists of three project managers who each have PRINCE2 Project Management certification and are well placed to support budget managers on the capital programme projects.

KEY FINDINGS:

Our audit identified the following finding:

- **Growth bid templates:** Our testing of a sample of schemes in the capital programme found that growth bid templates are not in place for all capital schemes tested, and therefore it is not clear that options appraisals have been carried out for all schemes and that there is evidence that bids have been adequately reviewed by the section 151 officer, SLT and PRED (where necessary) at the budget setting stage, which could undermine the effectiveness of the capital programme. (Finding 1 - Medium)

CONCLUSION:

From our review of the Council's capital project arrangements, it is clear there are sound controls in place in relation to procurement and monitoring of approved capital projects, both in terms of progress and financially, and support is provided by qualified project management staff. There is a significant underspend on the capital programme for the year due to slippage in schemes, the reasons for which are understood by officers. Improvement is required in relation to the documentation of growth bids to evidence review and approval of all capital bids and supporting options appraisals by senior officers at the budget setting stage.

Overall, we provide substantial assurance on design and moderate assurance on the effectiveness of the key controls. We have raised one medium priority recommendation.

MANAGEMENT ACTION PLAN:

Recommendation	Priority	Management Response	Responsible Officer and Implementation Date
<p><u>Growth bid templates</u></p> <p>i) The Council should ensure that all capital schemes are supported by growth bid templates, which have been reviewed by the Section 151 Officer and Programme & Projects Team before being approved by PRED (where applicable). These growth bid templates should be held centrally.</p> <p>ii) Link accountants should periodically remind budget holders to complete a growth bid template when submitting a capital project for approval.</p>	Medium	Officers acknowledge that there needs to be further buy in from Budget holders regarding the importance of submitting a growth bid template regarding capital projects. As part of the budget setting timetable for 2023/24, more emphasis will be communicated with Budget holders and portfolio holders on the importance of understanding the financial assumptions regarding a new capital project. Finance Officers will look to work with the Programme & Projects Team to improve financial reporting required when submitting information to the Programme Board. This should result in budget holders not feeling like they are having to duplicate work by filling in two forms.	Sam Wood (Senior Accountant) 31 December 2022

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	0

TOTAL NUMBER OF RECOMMENDATIONS: 0

BACKGROUND:

The budget for the 2021/22 financial year was presented to the Policy, Resources and Economic Development (PRED) Committee on 3 February 2021 and approved by the Ordinary Council on 24 February 2021.

During the past year, the Covid-19 pandemic has had a significant financial impact on the Council, which includes the direct costs of managing Covid-19 related activities such as supporting businesses as well as protecting the vulnerable, which included co-ordinating a community and business response, grant payments, business reliefs and supporting testing and vaccinations.

As a result of the pandemic, the Council also had to suspend a number of revenue-generating services, such as leisure facilities. Additionally, lockdown restrictions and new ways of working during the year have resulted in reduced income in areas such as trade waste, parking and building control.

The negative budgetary impact of the pandemic is partly offset by Government grants and an income compensation scheme for lost income. After taking account of underspends in other areas and actions taken to reduce budgetary pressure, officers are provisionally reporting an overall balanced outturn for 2021/22, maintaining the general fund at the same level as the prior year, being £2.874 million. Year-end general fund earmarked reserves are forecast at £12.099 million, an increase of £1.518 million over the year although this is less than the budgeted increase of £3.525 million.

The Council's 2022/23 budget and Medium-Term Financial Strategy (MTFS) to 2024/25 were approved at the Ordinary Council meeting in February 2022. The 2022/23 budget generates a deficit of £122,000, which is planned to be covered by earmarked reserves and not impact the general fund balance. However, more significant deficits are forecast for 2023/24 and 2024/25, which will utilise the Council's general fund balance if further savings, efficiencies and income generation ideas are not sought.

One of the key objectives within the Council's Corporate Strategic Plan 2020-2025 is to sustain £1 million revenue via commercial activities to reduce the Council's revenue budget gap. To assist with this objective and meet the targets set out in the MTFS, a member cross working party, the Financial Initiatives Group (FIG), was set up during 2021/22 to review and develop financial initiatives for consideration by PRED.

The Council uses eFinancial for its 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.

Our audit of financial planning and monitoring in the prior year included a review of the budget setting process for 2021/22, therefore this year's audit focused on the arrangements during 2021/22 for monitoring the budget and setting the 2022/23 budget and MTFS.

GOOD PRACTICE:

Our audit identified the following good practice areas:

- Managers' Guidelines for budget setting 2022/23- 2023/24 were issued prior to the start of the 2022/23 budget setting process. The guidance details the process for budget managers to follow in setting their budgets, the timetable and deadlines, and expected outcomes.
- Budget managers were required to complete growth bid templates, for any growth required to existing budgets for 2022/23 onwards, and recharges templates. These were discussed with the relevant Link Accountant and Director of Service before being submitted to the Senior Leadership Team (SLT) for approval.
- The Council held two budget challenge days in November and December 2021 which were attended by budget managers, Link Accountants and senior management to scrutinise and discuss assumptions, savings, budget growth requests, budget gaps and income generation opportunities, before sign-off of individual budgets by budget holders and senior management.
- A number of budget briefing sessions were provided to SLT, Committee Chairs and the Leader throughout the budget setting process. Members were also briefed on the proposed budget in January 2022, prior to formally approving the budget in February 2022.
- Our review of a sample of five budgets set for 2022/23 found that discussions between budget managers and Link Accountants took place to discuss proposed budgets and growth bids.
- We were informed that budget managers receive training on the financial system and budget monitoring from Link Accountants, although there is no documentary evidence of this. There is an annual security review of system access and restrictions, at which budget managers are encouraged to highlight any further training needs.
- Our review of a sample of five budgets for 2021/22 found that budgetary variances are analysed and investigated, through regular meetings between budget holders and Link Accountants. Minutes are taken of these meetings or notes are added directly to the system and are accessible to all system users to view. Any required corrective actions are also discussed at the meetings and an action owner is assigned and recorded.
- Budget reports were produced and presented to the Senior Leadership Team (SLT) on a monthly basis throughout the year (excluding December 2021), with quarterly review by PRED. The reports covered progress against budget, forecasts, and mitigating actions.

-
- Assumptions underpinning the MTFS are well documented within the Council's General Fund Budget 2022-23 which was approved by the Ordinary Council in February 2022, and the impact of Covid-19 is highlighted throughout the document.

KEY FINDINGS:

Our audit did not identify any key findings.

CONCLUSION:

Whilst the Council's financial position remains challenging over the medium term, there are robust processes in place for budget setting and budget monitoring. We provide substantial assurance on design and substantial assurance on the effectiveness of the key controls. There are no recommendations arising from this audit.

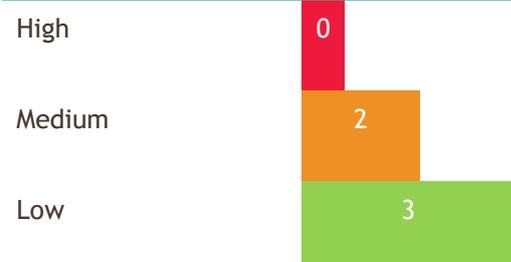
EXECUTIVE SUMMARY – MAIN FINANCIAL SYSTEMS

EXECUTIVE SUMMARY

LEVEL OF ASSURANCE:

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

SUMMARY OF RECOMMENDATIONS:



TOTAL NUMBER OF RECOMMENDATIONS: 5

BACKGROUND:

The Council is required to have sound controls in place in its financial systems, in order to prevent and detect error and fraud. The central finance team, led by the Director of Corporate Resources and the Corporate Finance Manager, is responsible for the financial management controls and processes, including shared service arrangements and external payroll processing. 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.

From 1 April 2021, the Council's payroll functions transferred to a new payroll provider, Braintree District Council.

A further key change that the Council has implemented is a policy regarding No PO (Purchase Order) No Pay. This change was communicated to staff in September 2021 and is being phased in across directorates during 2021/22, with full implementation across the Council by 1 April 2022.

Each year the 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.

Last year we covered Accounts Receivable (including housing rent arrears) and Payroll. In addition, we reviewed controls where weaknesses were identified in the prior year HR recruitment audit and the Treasury Management audit.

In our 2021/22 audit plan we proposed to review accounts payable, council tax, business rates and housing benefits. However, given certain pressures on the Revenues and Benefits shared service, we agreed with officers to focus our cyclical element of the audit on accounts payable (including some data analytics), VAT returns, and treasury management functions for cash flow forecasting and borrowing approvals.

We also planned to carry out data analytics on the payroll data to identify any fraud red flags, however we were unable to obtain a download of the payroll to enable us to carry out this procedure. We will continue to request a download of the payroll and will carry forward this element of our work to our 2022/23 audit plan.

GOOD PRACTICE:

Our audit identified the following good practice areas:

- Logs of user access rights to the general ledger are reviewed annually for appropriateness and access is updated or removed when necessary.
- The Corporate Finance Manager maintains a reconciliation monitor which tracks the reconciliation completed that month, who completed and reviewed the reconciliation, and how often it should be done. Our testing of two balance sheet control accounts found that they were appropriately reconciled and reviewed by an independent officer.
- Our testing of a sample of 20 journals raised during 2021/22 found that there was sufficient documentation to support the transaction and that they were appropriately authorised independently of the preparer.
- Our testing of a sample of ten new suppliers created on the system found that due diligence checks were carried out and the new supplier independently authorised, where appropriate.
- Our testing of a sample of five supplier bank account changes found that there was appropriate supporting evidence on file from the supplier and that the information was verified by the officer and independently reviewed by another officer.
- Our testing of a sample of 20 purchase order expenditure transactions from April 2021 to January 2022 found that the purchase orders were appropriately approved prior to the budget being utilised, goods receipt notes (GRNs) were signed by the recipient of the good/service being procured (where applicable) and invoices were matched to purchase orders and GRNs prior to payment.
- Our testing of a sample of 20 non-purchase order expenditure transactions found that invoices were appropriately approved prior to payments being made.
- Our testing of a sample of five payment runs found that the payment listings were appropriately reviewed by a senior member of staff prior to the payment release.
- VAT returns are submitted on a monthly basis and our sample testing of two returns confirmed that they are appropriately completed from information in the general ledger, independently reviewed and submitted on a timely basis.

KEY FINDINGS:

Our audit identified the following findings:

- Whilst our sample testing found that loans taken out are independently approved by senior management, there was no documented evidence that the risks and affordability of the sampled loans had been assessed against the Council's Treasury Management Strategy. (Finding 1 - Medium)
- Cash flow forecasts are not reviewed and approved by an independent officer to ensure they contain reasonable and sound assumptions. (Finding 2 - Low)
- Sensitivity analysis is not performed on the annual cash flow forecast to determine and plan for potential impacts of changes to key assumptions made. (Finding 3 - Low)
- There is insufficient management and Committee level oversight of the Council's cash flow forecasts and projected liquidity position. (Finding 4 - Medium)
- There is scope to improve the evidencing of due diligence checks carried out on new suppliers through the adoption of a consistent approach for recording these checks. (Finding 5 - Low)

CONCLUSION:

Our audit has found a number of effective controls within the Council's main financial systems. These include control account reconciliations, posting of journals, verification checks on new suppliers, authorisation of expenditure and payment runs, and the preparation of VAT returns.

However, there is scope for improvement in the design of controls in respect of evidencing risk and affordability assessments on borrowing and cash flow reporting.

We have therefore provided moderate assurance over the control design and substantial assurance over operational effectiveness. We have raised two medium and three low priority recommendations.

MANAGEMENT ACTION PLAN:

Recommendation	Priority	Management Response	Responsible Officer and Implementation Date
<p><u>Assessment of borrowing risk and affordability</u></p> <p>When requesting approval of loans, the e-mail request should explicitly set out all 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>	Medium	<p>Some loans are entered to support the Council's underlying need to borrow, some loans are entered into to support the Council's cashflow purposes and are done on a short-term basis. The current recommendation will put further strain on resources within the team as loans for cashflow purposes are adhoc. Therefore, management propose that on a quarterly basis the Treasury Officer and</p>	<p>Alistair Greer (Principal Accountant - Financial reporting)</p> <p>30 September 2022</p>

Recommendation	Priority	Management Response	Responsible Officer and Implementation Date
		<p>Corporate Finance Manager will look ahead to the next quarter to consider the borrowing need required and decide on the best loans that meet the TMS in terms of risk and affordability. This gives the Treasury Officer flexibility to decide as and when required in that quarter. This will be documented through either minutes of the meeting or an email following the meeting.</p>	
<p><u>Reporting of cash flow forecasts</u></p> <p>A summarised version of the Treasury function’s detailed cash flow forecast, which displays the projected position and key assumptions, should be presented to the Senior Leadership Team (SLT) and the Policy, Resources and Economic Development (PRED) Committee on a quarterly basis, to enable sufficient oversight of the Council’s liquidity position.</p>	<p>Medium</p>	<p>The cashflow forecast document is an operational document and therefore would not be reported to committee in the public domain. However, PRED Committee will get an update on the Council’s cash and borrowing position when reporting through budget update reports within the treasury management section.</p> <p>A summary of the Council’s cash position will be reported to SLT through the budget meetings held during the financial year.</p>	<p>Phoebe Barnes (Corporate Manager - Finance)</p> <p>June 2022 (PRED update) September 2022 (SLT Update)</p>

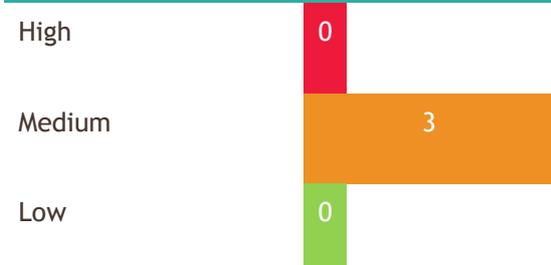
EXECUTIVE SUMMARY – RISK MANAGEMENT

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:



TOTAL NUMBER OF RECOMMENDATIONS: 3

BACKGROUND:

Risk management is the process of identifying and mitigating risks to the achievement of Council objectives. The “Three lines of defence” model for risk management has become a generally accepted industry framework for managing risk at the strategic, tactical and operational levels. It organises essential roles and duties into the following three levels or lines of defence:

- First line of defence: Day to day risk management and internal controls
- Second line of defence: Risk control and compliance oversight functions by management
- Third line of defence: Independent assurance, including internal audit reviews.

The Council has a Risk Management Strategy, which includes a risk appetite statement and risk tolerance levels that define the frequency of review required for different levels of risk.

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. During 2021/22, the risk registers were enhanced to include risk categorisation and target scores.

The Audit and Scrutiny Committee is charged with monitoring the effective development and operation of risk management and corporate governance in the Council and reviews the strategic and high-level operational risks on a quarterly basis.

The Council’s arrangements for risk management were last audited in April 2021, which resulted in a Substantial rating in respect of the design of processes and a Moderate rating in respect of the

operational effectiveness of controls. Our audit for 2021/22 has included follow-up on the medium priority recommendations raised in the last audit.

GOOD PRACTICE:

Our audit identified the following good practice areas:

- Our review of the minutes of the meetings of Audit and Scrutiny Committee, senior leadership team (SLT) and Extended Leadership Team (ELT) found that risks identified in officer and member meetings are captured by the Council's risk management processes.
- We found that emerging risks such as cyber security threats, new partnerships, climate change, the government's sanctions against Russia and Belarus and associated potential impacts on the Council's supply chain, are discussed at SLT meetings, and go through the Council's risk management processes where necessary.
- Sample testing of 15 risks from the strategic and operational risk registers found that there is sufficient mapping of controls and assurances to mitigate risks, and the three lines of defence are in operation (the first line being the risk owners, then reviewed by the Risk Officers and Senior Management, and then regular audit assurances completed and further scrutiny by the Audit and Scrutiny Committee).
- Risks recorded in the risk registers are reviewed and updated in accordance with the risk tolerance timescales in the Council's Risk Management Strategy, with risks being reviewed and updated on average every two months.

KEY FINDINGS:

Our audit identified the following findings:

- Risk management training is not currently provided to Council staff. (Finding 1 - Medium)
- Our sample testing found that risks are not always adequately articulated in the risk registers (see Appendix III), which could result in insufficient assessment of the risk and how it should be managed. (Finding 2 - Medium)
- Our sample testing found that there was insufficient documentation in the risk register on the action taken to reduce the risk score for the delivery of the Leisure Strategy risk, from a score rating of very high to low. (Finding 2 - Medium)

CONCLUSION:

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

The Council has an adequate risk management framework and we have noted areas of good practice in the Council's risk management arrangements.

We have raised three medium priority recommendations in relation to risk management training for staff, the articulation of risks in the risk registers, and documentation of actions taken to support all reductions in risk scores.

MANAGEMENT ACTION PLAN:

Recommendation	Priority	Management Response	Responsible Officer and Implementation Date
<p><u>Risk management training</u></p> <p>a) Management should review the content of the previous risk management training provided (in person and online), decide the best format for the training going forward and determine which staff need to receive the training.</p> <p>b) Training completion rates should be monitored closely and reported to senior management on a periodic basis to ensure any low levels of completion are addressed.</p>	Medium	The e-learning module will be reviewed, together with a review of staff that require training	Sue White (Risk & Insurance Officer) December 2022
<p><u>Documentation of risks</u></p> <p>Risk Officers and senior Management should review how risks are recorded in the risk registers to ensure they adequately define the cause, uncertain event (the risk) and consequence of each risk. Where risks recorded by a particular risk owner are identified as inadequately documented then further training should be provided to them.</p>	Medium	Discussed at ELT meeting on 13 th June and details of the risks without sufficient documentation has been sent to Risk Owners. These will then be discussed with relevant risk owners.	Sue White (Risk & Insurance Officer) December 2022
<p><u>Documentation of action</u></p> <p>a) The risk officer and senior management should monitor actions taken against risks and ensure that risk owners clearly document what actions have been taken to support reductions in risk scores.</p> <p>b) Staff should be sufficiently trained to understand how strengthening internal controls can have a direct impact on mitigating risks.</p>	Medium	A guide to Risk Controls and Treatments has been sent out to Risk Owners and further training will be provided.	Sue White (Risk & Insurance Officer) December 2022

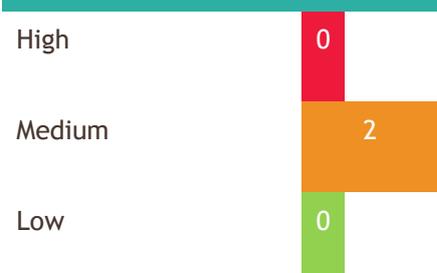
EXECUTIVE SUMMARY – PARTNERSHIPS

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: 2

BACKGROUND:

Partnerships are increasingly seen as a key approach to working and a means of delivering improved outcomes and efficient, effective services through collaboration with different organisations. Partnerships may also provide leverage to source additional funding or reduce risks. Effective governance arrangements, clarity of the purpose of the partnerships, and review against delivery objectives are key to ensuring Corporate Objectives and Priorities are delivered.

The term ‘Partnership’ is broad, covering a wide range of delivery formats including networks and steering groups, shared services, and contractual arrangements. The Council’s partnerships include the Community Safety Partnership, Brentwood Health and Wellbeing, Youth Strategy Group (Youth Council), Start Well and the Parish Council. The Council also has commercial partnerships in place, for example with Morgan Sindall.

Where individuals at Senior Manager level or above want to engage in a partnership, a checklist is required to be completed, which determines whether the partnership can support the Council in meeting its corporate objectives. The checklist takes account of various factors such as performance management, risk management, business continuity, equality and diversity. The checklist is reviewed by the Corporate Manager of Communities, Leisure and Health before presented to the Policy, Resources and Economic Development (PRED) Committee for further scrutiny and approval.

The Corporate Manager of Communities, Leisure and Health maintains a central record of all existing partnerships, however each partnership lead is responsible for maintaining regular

communication and monitoring performance, in addition to informing the Partnership, Leisure and Funding Manager of any new partnerships or partnerships which are coming to an end.

Our audit covered the availability of protocols for establishing partnerships, compliance with those protocols, the maintenance of a partnerships register and approval processes for partnerships on the register (follow up of previous recommendation). We tested four out of the six partnerships in place at the time of fieldwork (Health and Wellbeing Board, Active Brentwood, Brentwood Business Partnership and Community Safety Partnership).

Our audit fieldwork commenced before the Council entered into the formal strategic partnership with Rochford District Council. We have agreed with officers that we will include a review of those arrangements in our 2022/23 audit plan.

GOOD PRACTICE:

Our audit identified the following good practice areas:

- The Council has a Partnerships Policy, which sets out the criteria which should be met before the Council may enter into a partnership agreement, and the processes to follow when seeking, authorising, joining, recording, monitoring and withdrawing from a partnership.
- There are up to date Terms of Reference in place for each of the four partnerships we tested, clearly setting out the roles and responsibilities of each party.
- The minutes of the meetings of the four partnerships we tested indicate that there is regular liaison and scrutiny.

KEY FINDINGS:

Our audit identified the following findings:

- There is no Partnerships Checklist in place for one of the partnerships tested (the Community Safety Partnership) and the Partnerships Register does not record the risk level or who approved the partnership for two of the partnerships tested (the Community Safety Partnership and Brentwood Business Partnership). (Finding 1 - Medium)
- There is no evidence of an Annual Performance Assessment for two of the partnerships tested (Health and Wellbeing Board and Brentwood Business Partnership). (Finding 2 - Medium)

CONCLUSION:

There is comprehensive policy in place that sets out the processes to follow for assessment, establishment and monitoring of partnership arrangements, which is supported by checklists and a partnerships register. However, improvement is required in ensuring that the policy is fully complied with in terms of completing the partnerships checklist, establishing the risk level, evidencing approval and carrying out annual performance assessments for all partnerships.

We have therefore provided substantial assurance over the control design and moderate assurance over operational effectiveness. We have raised two medium priority recommendations.

MANAGEMENT ACTION PLAN:

Recommendation	Priority	Management Response	Responsible Officer and Implementation Date
<p><u>Partnerships checklist and approvals</u></p> <p>a) The Council should ensure that the Partnership Checklist is completed in all cases and held centrally. Consideration should be given to retrospectively completing the checklist for the Community Safety Partnership.</p> <p>b) The Partnerships Register should clearly indicate the risk level for all partnerships listed and the gaps in the register should be completed retrospectively.</p> <p>c) The Council’s Partnership Register should include a hyperlink to the completed Partnership Checklist.</p>	<p>Medium</p>	<p>The Corporate Manager for Communities, Leisure and Health will liaise with the Partnership Lead for the Community Safety Partnership to complete the Partnership Checklist. The Officer will also ensure the risk level for all partnerships is included in the Partnership Register and a hyperlink is included to the completed Partnership Checklist.</p>	<p>Kim Anderson (Corporate Manager Communities, Leisure and Health)</p>
<p><u>Annual performance assessment</u></p> <p>The Senior Leadership Team should ensure that an Annual Performance Assessment is completed by the partnership leads for all partnerships. Reminders should be put in place before the annual deadline to ensure this is completed in a timely manner.</p>	<p>Medium</p>	<p>The Corporate Manager for Communities, Leisure and Health will liaise with the Senior Leadership Team to agree the date for the Annual Performance Assessment to be undertaken and agree dates for each partnership lead to complete the annual assessment programme.</p>	<p>Kim Anderson (Corporate Manager Communities, Leisure and Health)</p>

KEY PERFORMANCE INDICATORS 2021/22

Quality Assurance as per the Internal Audit Charter	KPI Results	RAG Rating
1. Annual Audit Plan delivered in line with timetable.	A few audits have been 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 Committee to achieve score of at least 70%.	2021/22 survey to be issued.	
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 6 out of 12 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 (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 11 audits (see table below).	
10. Audit sponsor to implement audit recommendations within the agreed timeframe.	Of the 22 recommendations raised in 2021/22, 6 have been completed, 6 are in progress and 10 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 (2021/22 AUDITS)

Audit	Draft TOR issued	Management response to TOR received	Closing meeting	Draft report issued	Management response to draft report received	Final report issued
Affordable Housing	20/01/22	24/01/22 (KPI 9 met)	14/02/22	12/05/22 (KPI 6 not met)		
Risk Management	25/03/22	28/03/22 (KPI 9 met)	11/05/22	10/06/22 (KPI 6 not met)	27/06/22 (KPI 9 not met)	27/06/22 (KPI 7 met)
Main Financial Systems	02/02/22	02/02/22 (KPI 9 met)	22/04/22	06/06/22 (KPI 6 not met)	21/06/22 (KPI 9 not met)	27/06/22 (KPI 7 met)
Covid-19 Grants Expenditure	28/07/21	02/08/21 (KPI 9 met)	02/09/21	10/09/21 (KPI 6 met)	15/09/21 (KPI 9 met)	20/09/21 (KPI 7 met)
Financial Planning and Monitoring	28/03/22	29/03/22 (KPI 9 met)	22/04/22	06/06/22 (KPI 6 not met)	07/06/22 (KPI 9 met)	07/06/22 (KPI 7 met)
Capital projects	04/11/21	08/11/21 (KPI 9 met)	10/03/22	19/05/22 (KPI 6 not met)	07/06/22 (KPI 9 not met)	07/06/22 (KPI 7 met)
Partnerships	29/10/21	03/11/21 (KPI 9 met)	19/01/22	23/06/22 (KPI 6 not met)	24/06/22 (KPI 9 met)	26/06/22 (KPI 7 met)
Local Development Plan	13/08/21	18/08/21 (KPI 9 met)	31/08/21	10/09/21 (KPI 6 met)	13/09/21 (KPI 9 met)	20/09/21 (KPI 7 met)
IT Data Breaches	11/08/21	17/08/21 (KPI 9 met)	24/08/21	03/09/21 (KPI 6 met)	15/09/21 (KPI 9 met)	20/09/21 (KPI 7 met)
Building Control	24/01/22	1/02/22 (KPI 9 met)	07/02/22	21/02/22 (KPI 6 met)	28/02/22 (KPI 9 met)	28/02/22 (KPI 7 met)
Planning	04/11/21	15/11/21 (oral but not received in writing) (KPI 9 not met)	22/11/21	25/11/21 (KPI 6 met)	26/11/21 (KPI 9 met)	29/11/21 (KPI 7 met)
Housing - Homelessness	25/11/21	30/11/2021 (KPI 9 met)	22/12/21	22/12/21 (KPI 6 met)	23/12/21 updated 04/01/22 (KPI 9 met)	04/01/22 KPI 7 met)
Democratic Services	25/03/22	08/04/22 (KPI 9 not met)				

KEY FOR RAG RATING:



= met target



= not met target



= partly met target



= not applicable

APPENDIX 1

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.



FOR MORE INFORMATION:

GREG RUBINS

greg.rubins@bdo.co.uk

This publication has been carefully prepared, but it has been written in general terms and should be seen as broad guidance only. The publication cannot be relied upon to cover specific situations and you should not act, or refrain from acting, upon the information contained therein without obtaining specific professional advice. Please contact BDO LLP to discuss these matters in the context of your particular circumstances. BDO LLP, its partners, employees and agents do not accept or assume any liability or duty of care for any loss arising from any action taken or not taken by anyone in reliance on the information in this publication or for any decision based on it.

BDO LLP, a UK limited liability partnership registered in England and Wales under number OC305127, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. A list of members' names is open to inspection at our registered office, 55 Baker Street, London W1U 7EU. BDO LLP is authorised and regulated by the Financial Conduct Authority to conduct investment business.

BDO is the brand name of the BDO network and for each of the BDO Member Firms.

BDO Northern Ireland, a partnership formed in and under the laws of Northern Ireland, is licensed to operate within the international BDO network of independent member firms.

© 2022 BDO LLP. All rights reserved.

www.bdo.co.uk

