



# INTERNAL AUDIT ANNUAL REPORT AND ANNUAL STATEMENT OF ASSURANCE

Brentwood Borough Council

2021/22

IDEAS | PEOPLE | TRUST



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# SUMMARY OF 2021/22 WORK

## Internal Audit 2021/22

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
- Main Financial Systems
- Financial Planning and Monitoring
- Covid-19 Restart Grants
- Capital projects
- Partnerships
- Local Development Plan
- IT Data Breaches
- Building Control
- Planning
- Housing - Homelessness
- Section 106 agreements (including affordable housing)

We have detailed the opinions of each report and key findings on pages 5 to 15. Our internal audit work for the 12 month period from 1 April 2021 to 31 March 2022 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 provisionally reported a balanced outturn against budget for 2021/22, maintaining the general fund at the same level as the prior year (being £2.874 million) and increasing general fund earmarked reserves by £1.663 million over the year. This was achieved despite the pressures of the Covid-19 pandemic and the continued suspension of a number of income-generating services during the year. The Council 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 seven out of twelve audits, moderate assurance opinions were provided in four areas and limited in one area (Section 106 agreements, including affordable housing). These opinions are a slight deterioration compared with 2020/21, when substantial assurance was provided in eight out of twelve audits, moderate assurance opinions were provided in three areas and there was one limited assurance in an operational area (see page 16).
- In respect of the operational effectiveness of the controls, an opinion of substantial assurance was provided in four areas and moderate assurance in eight areas. These opinions are an improvement compared with 2020/21, when an opinion of substantial assurance was provided in three areas, moderate assurance in six areas and limited assurance in three areas (see page 16).
- Management has responded positively to reports issued and action plans have been developed to address the recommendations raised, although we have experienced some delays in responses to reports and audit requests.
- We have confirmed that 83% of recommendations due for implementation by the date of reporting had been completed, which is similar to the 82% in the prior year.
- Overall, therefore, we have noted an improvement in the control environment compared to last year, although not to the extent that is necessary to upgrade our overall opinion.

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 2022.

# REVIEW OF 2021/22 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	0	3	0	Substantial	Moderate	<p>The Council’s arrangements for risk management were previously 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 included follow-up on the medium priority recommendations raised in the last audit.</p> <p>The Council has an adequate risk management framework and we have noted areas of good practice in the Council’s risk management arrangements.</p> <p>We identified the following key areas where the control framework needs to be strengthened:</p> <ul style="list-style-type: none"> <li>• Risk management training is not currently provided to Council staff (Medium)</li> <li>• Our sample testing found that risks are not always adequately articulated in the risk registers, which could result in insufficient assessment of the risk and how it should be managed (Medium)</li> <li>• 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 (Medium).</li> </ul> <p>Overall, we provided substantial assurance on design and moderate assurance on the effectiveness of the key controls.</p>

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	
Main Financial Systems	0	2	3	Moderate	Substantial	<p>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 this year on accounts payable (including some data analytics), VAT returns, and treasury management functions for cash flow forecasting and borrowing approvals.</p> <p>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.</p> <p>Our audit 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.</p> <p>We identified the following key areas where the control framework needs to be strengthened:</p> <ul style="list-style-type: none"> <li>• 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 (Medium)</li> <li>• There is insufficient management and Committee level oversight of the Council's cash flow forecasts and projected liquidity position (Medium).</li> </ul> <p>We therefore provided moderate assurance over the control design and substantial assurance over operational effectiveness.</p>

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	
Financial Planning and Monitoring	0	0	0	Substantial	Substantial	<p>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.</p> <p>Whilst the Council's financial position remains challenging over the medium term, there are robust processes in place for budget setting and budget monitoring.</p> <p>There were no recommendations arising from this audit.</p> <p>We provided substantial assurance on design and substantial assurance on the effectiveness of the key controls.</p>
Covid-19 Restart Grants	0	2	0	Substantial	Moderate	<p>Our audit in 2021/22 involved testing a sample of grant applications to confirm whether appropriate eligibility due diligence was carried out on applications received for Restart grants, re-performing some of the due diligence checks ourselves, and checking if the grant funding was appropriately awarded based on the rateable value of the business.</p> <p>Our substantive reperformance testing on a sample of Restart grant claims did not identify any inappropriate awards.</p> <p>We identified the following key areas where the control framework needs to be strengthened:</p> <ul style="list-style-type: none"> <li>Whilst we were advised that due diligence checks were performed before the grants were awarded, and our sample reperformance checks did not identify any inappropriate claimants, there is no documented record of the due diligence checks that were carried out by officers, what specifically was checked (such as business name, address and directors) and any queries arising (Medium)</li> </ul>

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	
						<ul style="list-style-type: none"> <li>From our sample testing of Restart grants awarded and review of notes held in Civica, we found that in all instances there was no indication of (i) who completed the initial due diligence (ii) who completed the final check and (iii) who approved the application for payment (Medium).</li> </ul> <p>We provided substantial assurance on design and moderate assurance on the effectiveness of the key controls.</p>
Capital Projects	0	1	0	Substantial	Moderate	<p>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.</p> <p>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.</p> <p>We identified the following key area where the control framework needs to be strengthened:</p> <ul style="list-style-type: none"> <li>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, the senior Leadership Team (SLT), the Policy, Resources and Economic Development (PRED) Committee, which could undermine the effectiveness of the capital programme (Medium).</li> </ul> <p>Overall, we provided substantial assurance on design and moderate assurance on the effectiveness of the key controls.</p>



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	
Partnerships	0	2	0	Substantial	Moderate	<p>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).</p> <p>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.</p> <p>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.</p> <p>We identified the following key areas where the control framework needs to be strengthened:</p> <ul style="list-style-type: none"> <li>• 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) (Medium)</li> <li>• There is no evidence of an Annual Performance Assessment for two of the partnerships tested (Health and Wellbeing Board and Brentwood Business Partnership) (Medium).</li> </ul> <p>We therefore provided substantial assurance over the control design and moderate assurance over operational effectiveness.</p>

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	
Local Development Plan	0	0	2	Substantial	Substantial	<p>Our audit included comparing the Local Development Plan (LDP) to the Council's Corporate Plan; reviewing the oversight arrangements in place for the Project board and the LDP Member Working Group; reviewing liaison with Highways England; and making enquiries about the Council's readiness to adopt the LDP by the revised deadline.</p> <p>There is robust oversight and monitoring of the LDP development by the Project Board and through the meetings of the LDP Member Working Group. A number of policies have been included in the LDP to address strategic priorities which are compatible with the Council's Corporate Plan.</p> <p>Our audit did not identify any key areas for improvement.</p> <p>We provided substantial assurance on both the design and operational effectiveness of the key controls.</p>
IT Data Breaches	0	4	0	Substantial	Moderate	<p>The purpose of the audit was to appraise the design and effectiveness of the Council's arrangements for handling of data security breaches.</p> <p>Our review identified a robust framework in place for management of Information Governance incidents and breaches by the Council</p> <p>We identified the following key areas where the control framework needs to be strengthened:</p> <ul style="list-style-type: none"> <li>The Council's Data Protection and Data Breach policies have not been reviewed since their inception in March 2018. Furthermore, the policies still make references to EU GDPR which has been replaced by UK GDPR since Brexit (Medium)</li> <li>Reporting lines for the management of breaches and incidents are not clear. The reporting ends with the Data Protection Officer (DPO) and there is no further reporting of the incidents or breaches to senior management or the Senior Information Risk Owner (SIRO) who has the overall responsibility of all information risk across the Council (Medium)</li> </ul>

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	H	M	L	Design	Operational Effectiveness	
						<ul style="list-style-type: none"> <li>No formal performance reports have been presented to the Council by HyTec and the meetings between the DPO and HyTec are not formally documented. Instead, a rolling actions tracker is maintained which only documents the key decisions made for relevant actions during the meetings (Medium)</li> <li>Council staff are not provided with annual refresher training on information governance and cyber security. Furthermore, the Council's IG department have not conducted a training needs analysis (TNA) in the last 12 months (Medium).</li> </ul> <p>We provided substantial assurance over the design and moderate assurance over the operational effectiveness of the controls in place at the Council in relation to IT/Data Breach management.</p>
Building Control	0	2	0	Moderate	Moderate	<p>This audit reviewed the effectiveness of the Council's building control service including testing samples of Full Plan applications, Building Notices and Initial Notices to check if the required processes per the LABC procedures manual were adhered to and on a timely basis, that there was adequate evidence of site inspections (where relevant, as not all of the tested samples had reached completion stage yet at the time of the audit) and that the correct fees were charged by the Council.</p> <p>The Council generally has adequate systems and processes in place to enable it to comply with the Building Control Regulations and a number of areas of good practice were identified.</p> <p>We identified the following key areas where the control framework needs to be strengthened:</p> <ul style="list-style-type: none"> <li>We found that in two out of ten Full Plan applications tested, the relevant sections of the system were not adequately completed and the check screen updated to reflect items having been cleared prior to approval (Medium)</li> </ul>

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	
						<ul style="list-style-type: none"> <li>Key performance indicators (KPIs), such as application completion deadlines, are currently monitored manually, with no central report informing management when applications should be completed/reviewed by and how the service is performing against ISO and statutory KPIs. For the ten Full Plan applications sampled, one application review was completed 8 days after the statutory two month deadline (Medium).</li> </ul> <p>Consequently, we provided moderate assurance on design and moderate assurance on the effectiveness of the key controls.</p>
Planning	0	3	0	Moderate	Substantial	<p>Our audit focussed on review of policies and procedures, the pre-planning process, validation of planning applications, consultation processes, assessment of planning applications, process for identifying conflicts of interest in the Planning team, decision making and the statutory register, and Key Performance Indicators.</p> <p>Our testing found that the Council has effective processes in place for responding to and processing planning applications through the Uniform and iDocs systems.</p> <p>We identified the following key areas where the control framework needs to be strengthened:</p> <ul style="list-style-type: none"> <li>The Planning Handbook available to staff has not been updated for several years (Medium)</li> <li>Whilst the Council's Planning Application form requests applicants to state whether they are connected to a member of staff and/or elected member, there is no process in place for Planning Officers to record if they have a conflict with any planning applications they have been assigned (Medium)</li> </ul>

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	
						<ul style="list-style-type: none"> <li>Our testing found that the documentation of the consultation process and responses on Delegated Decision Reports was not detailed enough, as they did not include information about when a site notice and letters were issued, how many letters were issued, and how many responded in favour of or against the proposed development (Medium).</li> </ul> <p>Consequently, we concluded moderate assurance over the design of the Council's planning processes and substantial assurance over their operational effectiveness.</p>
Homelessness	0	3	1	Moderate	Moderate	<p>Our audit tested a sample of 15 homelessness cases submitted and closed between April and November 2021, for evidence of initial assessments, sufficiency of documentation received, personalised housing plans (PHPs), timeliness of decision making, compliance with the 56 day rule and main housing duty, and review processes. We have also reviewed the Council's strategy, policy and procedures in this area and key performance reporting.</p> <p>Our audit identified the following findings:</p> <ul style="list-style-type: none"> <li>For the sample of homelessness cases that we tested, in nine instances the decision was made more than 56 days after the date the case was opened, although in three cases this was due to lack of information from the applicant and there was no evidence that the Council breached its main housing duty after the 56 day period had passed (Medium)</li> <li>Whilst we were informed that the Housing Options Team Leader reviews cases through regular team meetings and meetings with individual case officers, there is no formal record of independent review of PHPs and approval for all decisions made (Medium)</li> </ul>

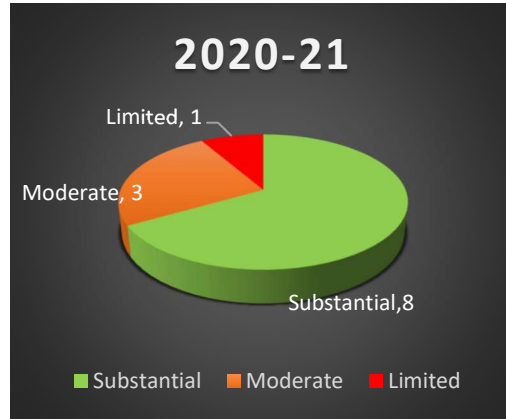
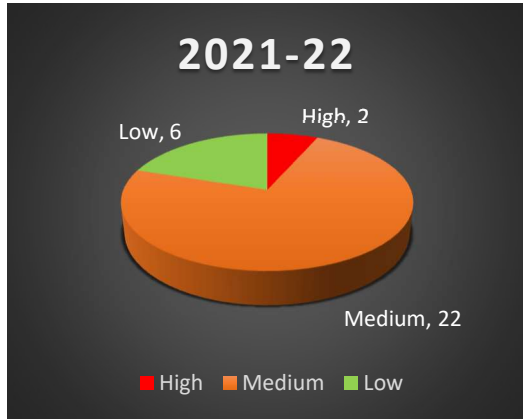
Report Issued	Recommendations and significance			Overall Report Conclusions (see Appendix 1)		Purpose of Audit and Summary of Key Findings / Recommendations
	H	M	L	Design	Operational Effectiveness	
						<ul style="list-style-type: none"> <li>Performance reporting to SLT and the Audit and Scrutiny Committee on a quarterly basis includes KPIs for the number of individuals in temporary accommodation and the number of individuals on the waiting list for local authority housing. However, there are currently no KPIs reported in relation to compliance with the 56 day rule, the number of homelessness applications, and type and the number of rough sleepers in the borough (Medium).</li> </ul> <p>Consequently, we concluded moderate assurance over both the design and operational effectiveness of the Council’s homelessness processes and controls.</p>
Section 106 agreements (including affordable housing)	2	0	0	Limited	Moderate	<p>Our audit focused on the Section 106 agreements process (covering Affordable Housing and other areas), as officers acknowledged that this was an area requiring improvement and therefore would benefit from being audited.</p> <p>Affordable Housing delivery has not been at expected levels for several years, although steps are clearly being taken to strengthen arrangements in this area.</p> <p>We identified the following key areas where the control framework needs to be strengthened:</p> <ul style="list-style-type: none"> <li>There is a lack of ownership and a general control system for managing s106 arrangements, particularly regarding the engagement with developers, identifying the status of developments and tracking triggers to determine when payments are due from developers. Insufficient monitoring has led to one known instance of an alteration being made to an agreement during the year without sufficient notification being given to the teams involved in the management of s106 agreements (High)</li> </ul>

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	
						<ul style="list-style-type: none"> <li>There is a lack of sufficient control to ensure that commuted sums received from developers under s106 agreements have been allocated to expenditure schemes within the capital plan. This has led to approximately £2.5 million of s106 contributions being held by the Council towards the end of 2021/22 for which there was no clear expenditure plan, and which would need to be repaid to developers if not spent within the agreed timescales (High)</li> </ul> <p>Overall, we provided limited assurance on design and moderate assurance on the effectiveness of the key controls.</p>

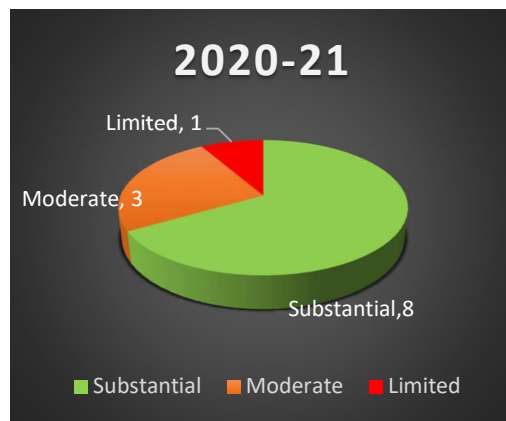
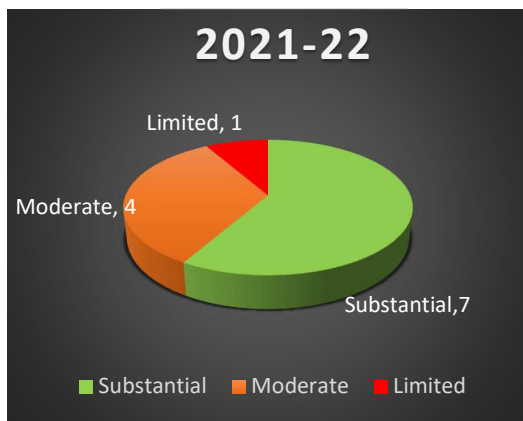
# SUMMARY OF FINDINGS

## RECOMMENDATIONS AND ASSURANCE DASHBOARD

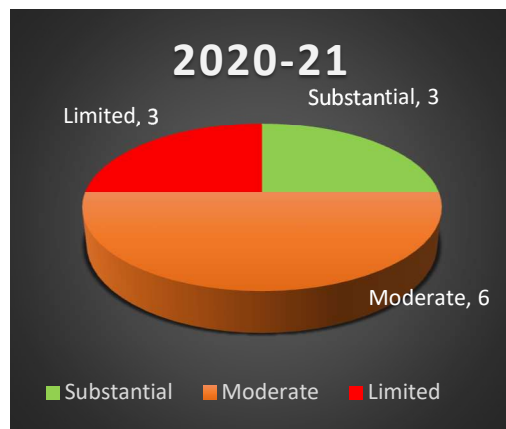
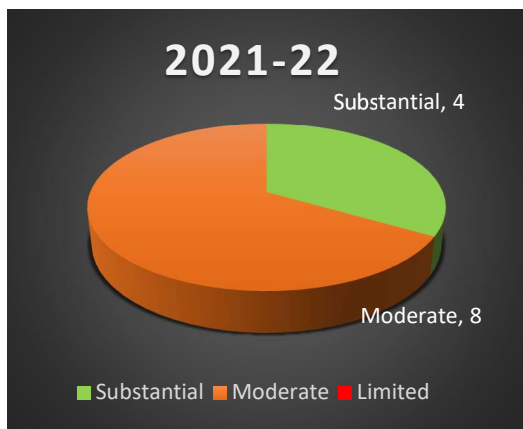
### Recommendations and Significance



### Control Design



### Operational Effectiveness





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## ADDED VALUE



### USE OF SPECIALISTS

We used our IT specialists to deliver the IT Data Breaches audit.



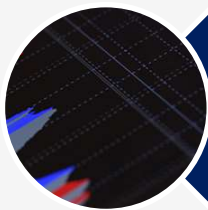
### RESPONSIVENESS

We have been able to be flexible with the plan to respond to emerging risks and concerns, e.g. focus the Affordable Housing audit on Section 106 agreements and moving the timing of a number of audits at the request of management.



### BENCHMARKING AND BEST PRACTICE

We have applied our experience of the local government sector, including knowledge of legal requirements, in our operational audits, e.g. Planning, Building Control and Homelessness.



### INNOVATION

We used data analytics in our audit of the main financial systems to analyse accounts payable data in order to identify any data integrity issues and fraud red flags.

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## KEY THEMES



### PEOPLE

Clarity of roles and responsibilities was evident in the majority of areas reviewed, excluding Section 106 agreements. However, we found that there is a need to update training provided in some areas e.g. Risk Management and IT Data breaches.



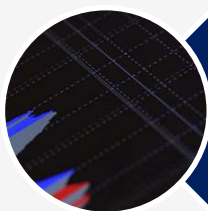
### SYSTEMS & PROCESSES

The Council's policies and procedures are generally being complied with, although there are instances where the documentation does not adequately evidence the checks carried out, as noted in our audits of Covid-19 Restart grants, Borrowing approvals, Planning and Homelessness.



### POLICES & PROCEDURES

Policies and procedures are in place, although they are in need of updating in some areas e.g. Planning function and IT Data Breaches.



### GOVERNANCE & FOLLOW UP

Governance and reporting requirements were found to be well defined and understood, with robust oversight by officers and members, e.g. Financial Planning and Monitoring, Risk Management and the Local Development Plan. 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 2021 to 31 March 2022 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.

## 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 2021/22 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.

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. However, progress in addressing outstanding internal audit recommendations is still in need of improvement.

### **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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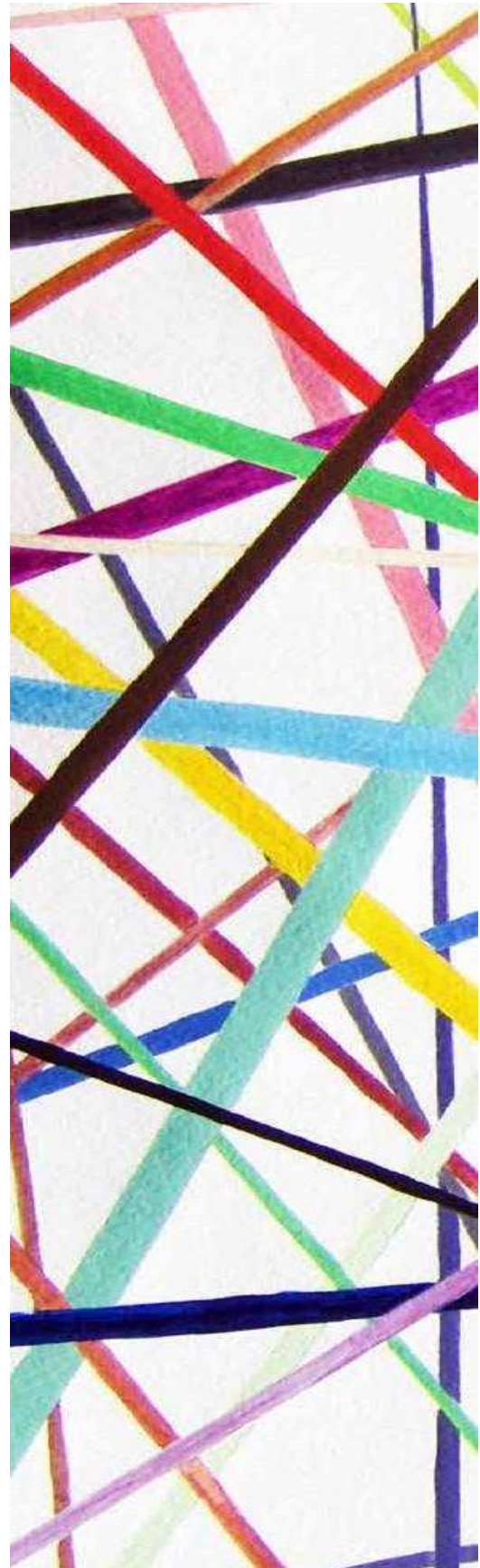
## Report by BDO LLP to Brentwood Borough Council

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 2021/22. 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 2021/22
- 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 2021/22

Quality Assurance as per the Internal Audit Charter	KPI Results	RAG Rating
1. Annual Audit Plan delivered in line with timetable.	Five audits were deferred at management's request, although four of these were completed before the issue of our Annual Report.	
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 positive.	
4. Annual survey to Audit and Scrutiny Committee to achieve score of at least 70%.	Annual survey for 2021/22 to be carried out.	
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 12 out of 12 audits (see table below).	
8. Positive result from any external review.	In June 2021 an External Quality Assessment by the Institute of Internal Auditors reported that BDO LLP's Public Sector Internal Audit Team 'generally conforms' with the International Professional Practices Framework (IPPF) and the Public Sector Internal Audit Standards (PSIAS). This is the highest of the three ratings categories.	
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 12 audits (see table below).	
10. Audit sponsor to implement audit recommendations within the agreed timeframe.	Of the 24 recommendations raised in 2021/22, 6 have been completed, 6 are in progress and 12 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
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)
S 106 agreements (Affordable Housing)	20/01/22	24/01/22 (KPI 9 met)	14/02/22	12/05/22 (KPI 6 not met)	13/07/22 (KPI 9 not met)	20/07/22 (KPI 7 met)
Democratic Services	25/03/22	08/04/22 (KPI 9 not met)	Audit deferred into 2022/23			

**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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