



**INTERNAL AUDIT
ANNUAL PLAN 2022/23
BRENTWOOD BOROUGH COUNCIL**

September 2022

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AUDIT RISK ASSESSMENT

Background

Our risk-based approach to Internal Audit uses the Council's own risk management process and risk register as a starting point for audit planning as this represents the client's own assessment of the risks to it achieving its strategic objectives.

The extent to which we can rely on management's own perception of risk largely depends on the maturity and effectiveness of the Council's own risk management arrangements. In estimating the amount of audit resource required to address the most significant risks, we have also sought to confirm that senior management's own assessment of risk accurately reflects Brentwood Borough Council's current risk profile.

Planned approach to internal audit 2022/23

Our Internal Audit programme for 2022/23 is shown from page 5, with an indicative strategic plan for 2022-2025 shown from page 8. This follows the summary indicative Internal Audit programme that we presented to the Audit and Scrutiny Committee in July 2022, when we were not yet contractually appointed to the audit. In producing this plan, we have taken account of discussion with the Director of Corporate Resources, who has sought feedback from other Executive Directors. This plan will be presented at the September 2022 Audit and Scrutiny Committee meeting. We will keep the programme under continuous review during the year and will introduce to the plan any significant areas of risk identified by management during that period.

The plan is set within the context of a multi-year approach to internal audit planning, such that all areas of key risks would be looked at over a three-year audit cycle. In setting the number of days in the plan we have assumed that the control environment within the Council will improve as we work with you to address the issues you have.

Individual audits

When we scope each review, we will reconsider our estimate for the number of days needed to achieve the objectives established for the work and to complete it to a satisfactory standard in light of the control environment identified within the Council. Where revisions are required, we will obtain approval from the appropriate Executive Director prior to commencing fieldwork.

In determining the timing of our individual audits, we will seek to agree a date which is convenient to the Council and which ensures availability of key management and staff.

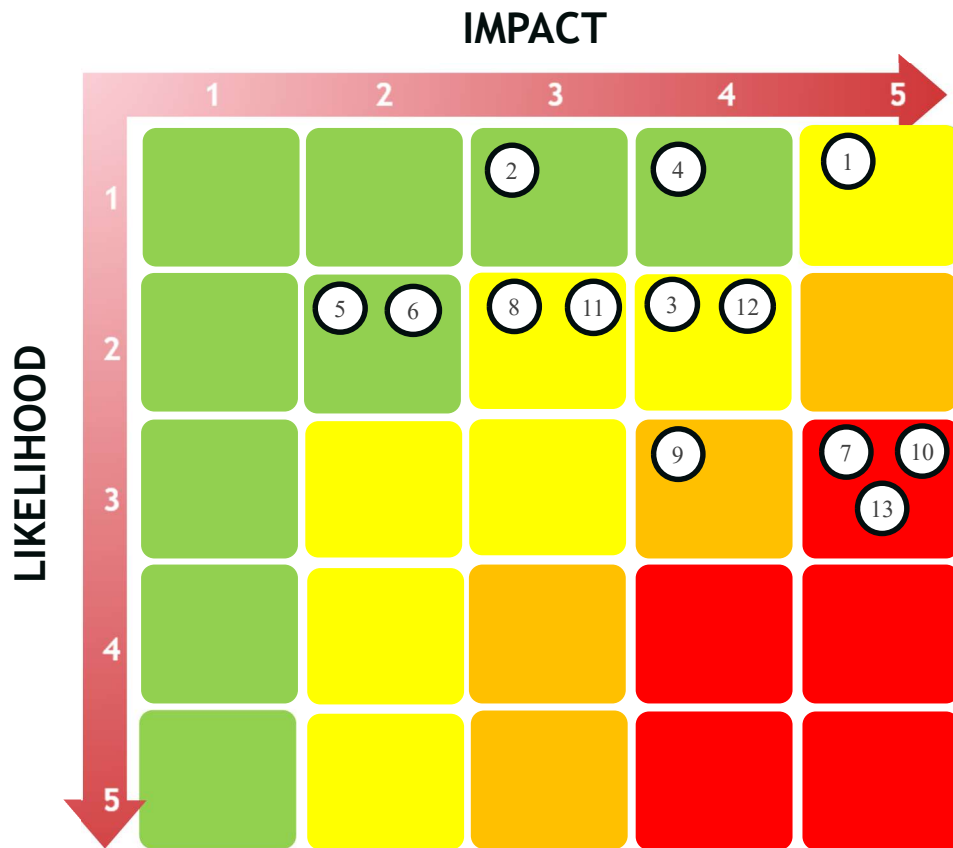
Variations to the Plan

We review the three-year strategic plan each year to ensure we remain aware of your ongoing risks and opportunities. Over the coming pages we have mapped your key risks along with the audit work we are undertaking, demonstrating we are focussing on your most important issues.

As such our strategic audit programme follows the risks identified during our planning processes and confirmed via discussions with the Director of Corporate Resources.



MAPPING YOUR STRATEGIC RISKS



	Ref	Strategic Risks from your Corporate Risk Register	Score
1	RSK 1	Local plan	5
2	RSK 2	Environment strategy	3
3	RSK 3	Leisure Strategy	8
4	RSK 4	Strategic housing development plan	4
5	RSK 5	Strategic direction	4
6	RSK 6	Corporate strategy	4
7	RSK 7	General fund budget	15
8	RSK 8	Major incidents	6
9	RSK 9	Lack of Capacity	12
10	RSK 10	Income projections	15
11	RSK 11	Data protection legislation	6
12	RSK 12	Contract / partnership failure	8
13	RSK 13	Cyber threats	15

MAPPING YOUR CRR TO THE STRATEGIC PLAN

Ref	Strategic Risks from your CRR	Risk score	Most recent year covered	2022/23	2023/24	2024/25
RSK 1	Local plan	5	2021/22			
RSK 2	Environment strategy	3	2020/21	✓		
RSK 3	Leisure Strategy	8	2019/20	✓		
RSK 4	Strategic housing development plan	4	2021/22			
RSK 5	Strategic direction	4	2020/21			
RSK 6	Corporate strategy	4	2020/21			
RSK 7	General fund budget	15	2021/22	✓	✓	✓
RSK 8	Major incidents	6	2020/21		✓	
RSK 9	Lack of Capacity	12	2019/20		✓	
RSK 10	Income projections	15	2021/22	✓		
RSK 11	Data protection legislation	6	2018/19	✓		
RSK 12	Contract / partnership failure	8	2021/22	✓	✓	✓
RSK 13	Cyber threats	15	2020/21	✓		✓

INTERNAL AUDIT OPERATIONAL PLAN 2022/23

Area	Days	Timing	Description of the Review	Reason for Inclusion
Core reviews				
Main financial systems	40	Q4	Detailed annual review of general ledger controls, including system interfaces and journals; cyclical audit of council tax, business rates and housing benefits; review of the Council's processes for managing supply chain risks; and follow up of issues identified in sample testing of financial controls in 2021/22.	Cyclical review, links to all the Council's risks
Commercialisation and cost savings	15	Q4	Review of the plans, monitoring and governance arrangements underpinning commercialisation and cost savings initiatives.	Links to RSK 7 (General fund budget) and RSK 10 (Income projections)
Payroll shared service	20	Q3	Review of contractual monitoring arrangements over the shared service, interfaces between the Council and the shared service and the adequacy and effectiveness of controls over inputs and amendments to the payroll system	Second year of new shared service provider
Partnership with Rochford	15	Q3	Review of the governance arrangements for the new strategic partnership with Rochford District Council, the effectiveness of transitional processes and the management of any emerging risks.	New partnership and area of focus for the Council. Links to RSK 12 (Contract/partnership failure)
Policy review	10	Q4	Review of the adequacy and effectiveness of policy management processes to ensure that they remain up to date, relevant and appropriate.	Cyclical review.
Data protection regulations	15	Q3	Review of the arrangements in place to allow all service areas to comply with data protection regulations.	Links to RSK 11 (Data protection legislation)
Cyber security	20	Q2	Review of the design and operation of the controls in place to protect the Council's IT systems, services, and information against a cyberattack.	Links to RSK 13 (Cyber threats)

Area	Days	Timing	Description of the Review	Reason for Inclusion
Core reviews (continued)				
Climate change	20	Q2	Review of framework to measure and monitor achievement of carbon commitments, considerations built into purchasing decisions and capital works, risks and opportunities assessment, transparency of reporting and availability of information in response to new regulations.	Links to RSK 2 (Environment strategy)
Counter fraud	10	Throughout	Fraud risk management assessment and preventative measures, e.g. presentations, advice, liaison with external audit.	Links to all risks.
Total	165			

Area	Days	Timing	Description of the Review	Reason for Inclusion
Operational reviews				
Housing management information	10	Q3	Review of information provided to Members, including timeliness, accuracy and relevance of information.	Previous internal audit findings
Environment - Street cleaning and enforcement	15	Q3	Review of the Council's arrangements for keeping streets clean, including health and safety risk assessments and enforcement activity.	Previous internal audit findings
Leisure services	15	Q3	Review of the adequacy and effectiveness of the key processes in place to deliver the Leisure Strategy and underlying action plans.	Links to RSK 8 (Leisure Strategy)
Licensing	15	Q2	Review of the effectiveness of compliance with the Council's licensing policies.	Previous internal audit findings
Democratic services	15	Q2	Review of the adequacy and effectiveness democratic processes and support for the senior leadership team for ensuring that the Council functions in an open and accountable way.	Cyclical review, carried forward from the prior year.
Total	70			

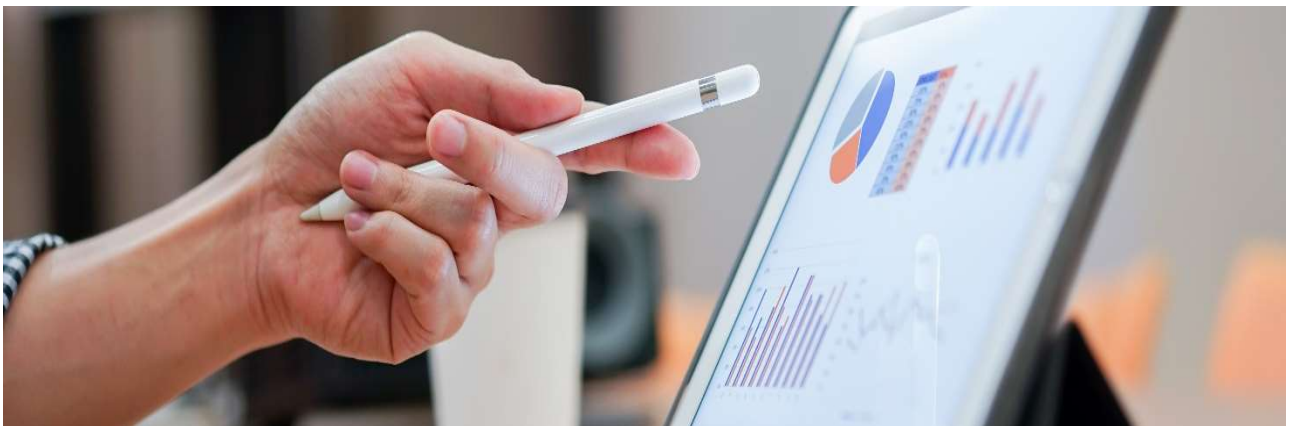
Area	Days	Timing	Description of the Review	Reason for Inclusion
Audit Management				
Follow Up Work	10	Ongoing	Rolling programme of follow up, including testing of high and medium priority recommendations.	To ensure that previous recommendations are being implemented.
Audit Management	20	Ongoing	Planning, reporting, attendance at meetings.	Central resource.
Contingency	10	As required	Time to allow increased scope and / or additional sample testing where further work is required.	Contingency.
Total	40			
Grand Total	275			



INTERNAL AUDIT STRATEGIC PLAN 2022-2025

Area	2022/23	2023/24	2024/25
Core Reviews			
Risk Management and Governance Arrangements		10	
Main Financial Systems	40	40	40
Payroll Shared Service	20		
Petty Cash and Use of Credit Cards			15
Financial Planning and Budget Monitoring		15	
Commercialisation and Cost Savings	15		
Transformation Programme			15
Contract Management and Procurement			20
Partnership with Rochford	15	10	
Policy Review	10		
Corporate Plan and Priorities			10
Hospitality, Gifts and Register of Interests		10	
Disaster Recovery and Business Continuity		15	
General Data Protection Regulations	15		
PCI / DSS Compliance			15
Cyber Security	20		15
Climate Change	20		
Workforce Strategy and Organisation Structure		20	
Human Resources - Sickness			15
Use of Consultants and Individuals Outside of PAYE		10	
Inclusion and Diversity			10
Communication and Information Sharing		15	
Insurance		10	
Counter Fraud	10	10	10
Core Reviews - Total Days	165	165	165

Area	2022/23	2023/24	2024/25
Operational Reviews			
Street Cleansing, Fly Tipping and Enforcement	15		
Trade Waste		20	
Food Safety			20
Estates management		20	
Health and Safety			15
Housing management information	10		
Housing Repairs and Maintenance			20
Car Parking		15	
Licensing	15		
Leisure Services	15		
Cemetries and crematoria		15	
Democratic Services	15		
Customer Services			15
Operational Reviews - Total Days	70	70	70
Audit Management			
Follow Up Work	10	10	10
Audit Management	20	20	20
Contingency	10	10	10
Audit Management - Total Days	40	40	40
Total	275	275	275



APPENDIX I: INTERNAL AUDIT CHARTER - ROLE AND SCOPE OF INTERNAL AUDIT

Purpose of this charter

This charter is a requirement of Public Sector Internal Audit Standards (PSIAS).

The charter formally defines internal audit's mission, purpose, authority and responsibility. It establishes internal audit's position within Brentwood Borough Council and defines the scope of internal audit activities.

The charter shall be reviewed and approved annually by management and by the Audit and Scrutiny Committee.

Internal audit's mission

Internal audit's mission is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

Standards of internal audit practice

To fulfil its mission, internal audit will perform its work in accordance with PSIAS, which encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF): Definition of Internal Auditing, Code of Ethics, and International Standards for the Professional Practice of Internal Auditing.

Internal audit definition and role

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Internal audit acts primarily to provide the Audit and Scrutiny Committee with information necessary for it to fulfil its own responsibilities and duties. Implicit in internal audit's role is that it supports management to fulfil its own risk, control and compliance responsibilities. The range of work performed by internal audit is set out in PSIAS and not repeated here.

Internal audit's scope

The scope of internal audit activities includes all activities conducted by Brentwood Borough Council. The Internal Audit Plan sets out those activities that have been identified as the subject of specific internal audit engagements.

The provision of assurance services is the primary role for internal audit in the UK public sector. This role requires the chief audit executive to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control.

Assurance engagements involve the objective assessment of evidence to provide an independent opinion or conclusions regarding an entity, operation, function, process, system or other subject matter. The nature and scope of the assurance engagement are determined by internal audit.

Consulting engagements are advisory in nature and are generally performed at the specific request of management, with the aim of improving governance, risk management and control and contributing to the overall opinion. The nature and scope of consulting engagement are subject to agreement with management. When performing consulting services, internal audit should maintain objectivity and not assume management responsibility.

Effective internal audit

Our internal audit function is effective when:

- It achieves the purpose and responsibility included in the internal audit charter
- It conforms with the Standards
- Its individual members conform with the Code of Ethics and the Standards
- It considers trends and emerging issues that could impact the organisation.

The internal audit activity adds value to Brentwood Borough Council (and its stakeholders) when it considers strategies, objectives and risks, strives to offer ways to enhance governance, risk management and control processes and objectively provides relevant assurance.

We will agree with you an audit plan for a total number of days activity. Once agreed, we will turn this into a cash budget which we will work to, in order to ensure that you have certainty around the fees you will pay us.

Independence and internal audit's position within Brentwood Borough Council

To provide for internal audit's independence, its personnel and external partners report to the Head of Internal Audit, who reports functionally to the Audit and Scrutiny Committee. The Head of Internal Audit has free and full access to the Chair of the Audit and Scrutiny Committee. The Head of Internal Audit reports administratively to the Director of Corporate Services who provides day-to-day oversight.

The appointment or removal of the Head of Internal Audit will be performed in accordance with established procedures and subject to the approval of the Chair of the Audit and Scrutiny Committee.

The internal audit service will have an impartial, unbiased attitude and will avoid conflicts of interest. The internal audit service is not ordinarily authorised to perform any operational duties for Brentwood Borough Council.

In the event that internal audit undertakes non-audit activities, safeguards will be agreed to ensure that independence or objectivity of the internal audit activity are not impaired. This might include a separate partner review of the work or a different team undertaking the work. Approval of the arrangements for such engagements will be sought from the Audit and Scrutiny Committee prior to commencement.

In the event that internal audit provides assurance services where it had previously performed consulting services, an assessment will be undertaken to confirm that the nature of the consulting activity did not impair objectivity and safeguards will be put in place to manage individual objectivity when assigning resources to the engagement. Such safeguards will be communicated to the Audit and Scrutiny Committee.

Internal audit must be free from interference in determining the scope of internal auditing, performing work and communicating results. Should any interference take place, internal audit will disclose this to the Audit and Scrutiny Committee to discuss the implications.

Internal audit's role in fraud, bribery and corruption

Management, not internal auditors are responsible for the prevention and detection of fraud, bribery and corruption. Auditors will, however, be alert in all their work to risks and exposures that could allow fraud or corruption as well as seeking to identify indications that fraud and corruption may have been occurring. Audit procedures alone, even when performed with due professional care, cannot guarantee that fraud and corruption will be detected. In the event that internal audit suspect a fraud, this will be referred to appropriate management in the first instance and then the Audit and Scrutiny Committee.

Access to records and confidentiality

There are no limitations to internal audit's right of access to Brentwood Borough Council officers, records, information, premises, or meetings which it considers necessary to fulfil its responsibilities.

When the auditors receive confidential information about your affairs it shall at all times be kept confidential, except as required by law or as provided for in regulatory, ethical or other professional pronouncements applicable. All information will be maintained in line with appropriate regulations, for example the Data Protection Act 1998.

Coordination and reliance with other assurance providers

In co-ordinating activities internal audit may rely on the work of other assurance and consulting service providers.

A consistent approach is adopted for the basis of reliance and internal audit will consider the competency, objectivity, and due professional care of the assurance and consulting service providers. Due regard will be given to understanding of the scope, objectives and results of the work performed by other providers of assurance and consulting services.

Where reliance is placed upon the work of others, internal audit is still accountable and responsible for ensuring adequate support for conclusions and opinions reached by the internal audit activity.

Internal audit's commitments to Brentwood Borough Council

Internal audit commits to the following:

- Working with management to improve risk management, controls and governance within the organisation
- Performing work in accordance with PSIAS
- Complying with the ethical requirements of PSIAS
- Dealing in a professional manner with Brentwood Borough Council staff, recognising their other commitments and pressures
- Raising issues as they are identified, so there are no surprises and providing practical recommendations
- Liaising with external audit and other regulators to maximise the assurance provided to Brentwood Borough Council
- Reporting honestly on performance against targets to the Audit and Scrutiny Committee.

Internal audit performance measures and indicators

The tables on the right contain some of the performance measures and indicators that are considered to have the most value in assessing the efficiency and effectiveness of internal audit.

The Audit and Scrutiny Committee should approve the measures which will be reported to each meeting and / or annually as appropriate. In addition to those listed here we also report on additional measures as agreed with management and included in our Progress Report.

Quality assurance and improvement programme

As required by PSIAS an external assessment of the service will be performed at least every five years. BDO also has an internal quality assurance review process in place, which takes place annually. This is performed by a separate team independent to the internal audit team.

The results of internal and external assessments will be communicated to the Audit and Scrutiny Committee as part of the internal audit annual report, along with corrective action plans.

Table One: Performance measures for internal audit

Measure / Indicator
<i>Audit Coverage</i> Annual Audit Plan delivered in line with timetable Actual days are in accordance with Annual Audit Plan
<i>Relationships and customer satisfaction</i> Customer satisfaction reports - overall score at average at least 3.5 / 5 for surveys issued at the end of each audit. Annual survey to Audit and Scrutiny Committee to achieve score of at least 70% External audit can rely on the work undertaken by internal audit (where planned)
<i>Staffing and Training</i> At least 60% input from qualified staff
<i>Audit Reporting</i> Issuance of draft report within 3 weeks of fieldwork `closing` meeting Finalise internal audit report 1 week after management responses to report are received 90% recommendations to be accepted by management Information is presented in the format requested by the customer.
<i>Audit Quality</i> High quality documents produced by the auditor that are clear and concise and contain all the information requested. Positive result from any external review

Management and staff commitments to Internal Audit

The management and staff of Brentwood Borough Council commit to the following:

- Providing unrestricted access to all of Brentwood Borough Council’s records, property, and personnel relevant to the performance of engagements
- Responding to internal audit requests and reports within the agreed timeframe and in a professional manner
- Implementing agreed recommendations within the agreed timeframe
- Being open to internal audit about risks and issues within the organisation
- Not requesting any service from internal audit that would impair its independence or objectivity
- Providing honest and constructive feedback on the performance of internal audit

Management and staff performance measures and indicators

The following three indicators are considered good practice performance measures but we go beyond this and report on a suite of measures as included in each Audit and Scrutiny Committee progress report.

Table Two: Performance measures for management and staff

Measure / Indicator
<i>Response to Reports</i> Audit sponsor to respond to terms of reference within one week of receipt and to draft reports within two weeks of receipt
<i>Implementation of recommendations</i> Audit sponsor to implement all audit recommendations within the agreed timeframe
<i>Co-operation with internal audit</i> Internal audit to confirm to each meeting of the Audit and Scrutiny Committee whether appropriate co-operation has been provided by management and staff

BDO contacts

Name	Grade	Telephone	Email
Greg Rubins	Engagement Partner	02380 881 892	Greg.Rubins@bdo.co.uk
Janine Combrinck	Director and Head of Internal Audit	07879 816 470	Janine.Combrinck@bdo.co.uk
Jenia Islentsyeva	Internal Audit Manager	07584 143261	Jenia.Islentsyeva@bdo.co.uk



FOR MORE INFORMATION:

GREG RUBINS

greg.rubins@bdo.co.uk

JANINE COMBRINCK

janine.combrinck@bdo.co.uk

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