Brentwood Borough Council

INTERNAL AUDIT PROGRESS REPORT

September 2014

BDO

CONTENTS

Appendices:

Definitions of assurance

PROGRESS AGAINST PLAN

Internal Audit

This report is intended to inform the Audit and Scrutiny Committee of progress made against the 2014/15 internal audit plan which was approved by this Committee in March 2014. 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 section 2 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.

Overview of 2014/15 work to date

We have completed our review on Customer Services and the report has been finalised.

The following reviews are underway and the final reports will be brought to the Audit and Scrutiny Committee in November:

- Partnership Arrangements
- Performance Management

We have experienced some delays with current work due to staff turnover and absence of key staff.

Work outside of the Internal Audit Plan

No additional work has taken place.

PROGRESS AGAINST PLAN

Area	2014/15 days	Date work to be undertaken	Progress Update	Assurance – System Design	Assurance - Operating Effectiveness
A Modern Council					
Customer Service	20	Q1	Complete	Moderate	Moderate
Transformation Programme	20	Q2	Planning – delayed due to Head of Transformation post being vacant.		
Performance Management	20	Q2	In progress		
Financial systems	95	Q3/4			
Risk and Governance	20	Q4			
IT strategy, governance and data security	40	Q2	Planning – delayed due to external review currently being undertaken in this service area.		
Counter Fraud	15	Q4			
Car Parking and Golf Income	15	Q4			
	245				
Area	2014/15 days	Date work to be undertaken	Progress Update	Assurance – System Design	Assurance - Operating Effectiveness
A Safe Borough					
Partnership Working	20	Q1/Q2	In progress		
	20				

PROGRESS AGAINST PLAN

Area	2014/15 days	Date work to be undertaken	Progress Update	Assurance – System Design	Assurance - Operating Effectiveness
A Prosperous Borough					
Capital developments	25	Q3			
	25				

Area	2014/15 days	Date work to be undertaken	Progress Update	Assurance – System Design	Assurance - Operating Effectiveness
Housing, Health and Wellbeing					
Housing systems	30	Q3/4			
Affordable Housing	20	Q3	Planning		
Property management	20	Q3	Planning		
	70				

PROGRESS AGAINST PLAN

Area	2014/15	Description of the Review
Planning/ liaison/ management	20	
Recommendation follow up	10	We will follow up high and medium priority recommendations raised by the previous internal auditors.
Audit Committee		
Contingency	10	
Total	40	
Total	400	

SUMMARY AUDIT REPORT: Customer Services

COUNCIL STRATEGIC RISKS		
Risk	**RR Reference: 4**	Transformation Agenda • Failure to deliver an effective Customer Services project, therefore resulting in poor customer services. • Failure to create successful streamlined back office services.

LEVEL OF ASSURANCE (SEE APPENDIX II FOR DEFINITIONS)		
Design	Moderate	Generally a sound system of internal control designed to achieve system objectives with some exceptions.
Effectiveness	Moderate	A small number of exceptions found in testing of the procedures and controls.

OVERVIEW

In April 2014 Brentwood Council soft launched their new corporate contact centre. The centre consolidated staff who deal with service specific customer enquiries into one central hub. This hub will field phone and face to face customer enquiries on behalf of all services across the Council and aims to achieve 80% contact resolution at the first point of contact as well as £250k savings in the first year of operation. The purpose of our review was to look at the strategic direction of the customer services department at Brentwood Council to review whether the new centralised contact centre will support the Council to achieve savings whilst continuing to deliver high quality service provision.

Our review found the following areas of good practice.:
• There is a strong leadership team in Customer Services which has resulted in the contact centre being launched on time with a smooth transition. The contact centre is now successfully managing customer enquiries on behalf of services across the Council.
• The Customer Services leadership team have a clear vision for the type of customer contact centre which they want to deliver to services across the Council and the technological requirements which they will require to support the new infrastructure.
• The business process mapping exercise successfully centralised transactions within the contact centre and succeeded in streamlining processes, where possible.
• The contact centre staff are receiving training and support to be able to manage their increased responsibilities.
• Lastly, there is a coherent assimilation plan for reviewing and improving the service over the next twelve months.

We also found a number of areas for improvement or development:
• Our research and interviews did not identify specific evidence or rationale for the savings target of £250k which was set out in the November 2013 business case for the contact centre. The business case sets out a `prudent' annual savings target of c£350K and an `optimistic' savings target of £588K based on shifting customers from higher cost channels such as phone and face to face to the cheaper channel of online. The savings target of £250K set out in the business case appears to be based on a top down target based on what the Council expects customer services to save from its budget.

SUMMARY AUDIT REPORT: Customer Services

| OVERVIEW |
| --- |
| • The new contact centre will provide the Council with a certain amount of efficiency savings based on moving staff into the centralised hub and not replacing their original posts, however there is no customer access strategy in place to ensure benefits are realised from channel shift.
• Additional savings can be achieved through redesigning customer transactions. When transactions were brought over to the central contact centre, a business process mapping exercise was carried out to make transactions more streamlined. This exercise improved processes but did not redesign transactions to integrate them with back office systems, thereby enabling the Council to save money through reducing staff workload.
• A key component of securing financial savings from channel shift is an effective contact monitoring framework. The new contact centre has the functionality to record and log accurate records of incoming phone volumes, however our discussions with contact centre staff revealed that this data is not currently set up to record reasons for contact. This information is key to helping the Council to remove avoidable contact in the future.
• Over the next six months, the customer services team will carry out a second business process mapping exercise for high volume customers. In order to realise £250K worth of savings from the contact centre, the customer services team will need to ensure that they have an effective monitoring framework in place, so that they can record and monitor the financial benefits of this exercise.
• A strategy for customer access needs to be developed so that the Council can ensure that the new contact centre does not increase demand for phone contact. A customer access strategy will also ensure that any further process redesign or investment in technology will tie into the Council's savings targets, which are based on increasing demand for online customer access and removing demand for expensive face to face and phone access. This strategy should be developed before the Council embarks on the second round of business process mapping and before any decisions are made about investments in technology.

Overall, we have provided moderate assurance, which reflects that the Council has made some progress to date but is still in the early stages of development of the customer services centre.

Management have responded positively to the report and an action plan has been agreed to address the recommendations. |

FOLLOW UP ON RECOMMENDATIONS

We have followed up and gained evidence on the progress made against the high and medium recommendations raised during 2013/14 by the previous internal auditors, which are due to be completed before this Audit and Scrutiny Committee.

The diagram on the right shows the percentage of recommendations in progress and implemented. Of the 60 recommendations that have not been implemented we have been unable to verify the implementation for 53 of these as we have been unable to contact the responsible officers. We will continue to chase these officers for responses and will provide an update on the status of these recommendations at the next Audit and Scrutiny Committee. There are 10 high priority recommendations either in progress or outstanding. We have been unable to verify 7 of these.

Below is a list of the prior year reports where we have been unable to verify whether the recommendations have been implemented:

- IT Assets and IT Governance& Controls
- Building Compliance
- Bereavement Services
- Engagement of interims and agency staff
- Contracts & Procurement
- Health & Safety
- Cash Handling
- Procurement Cards
- Refuse
- Payroll
- Cash & Bank
- Business Continuity
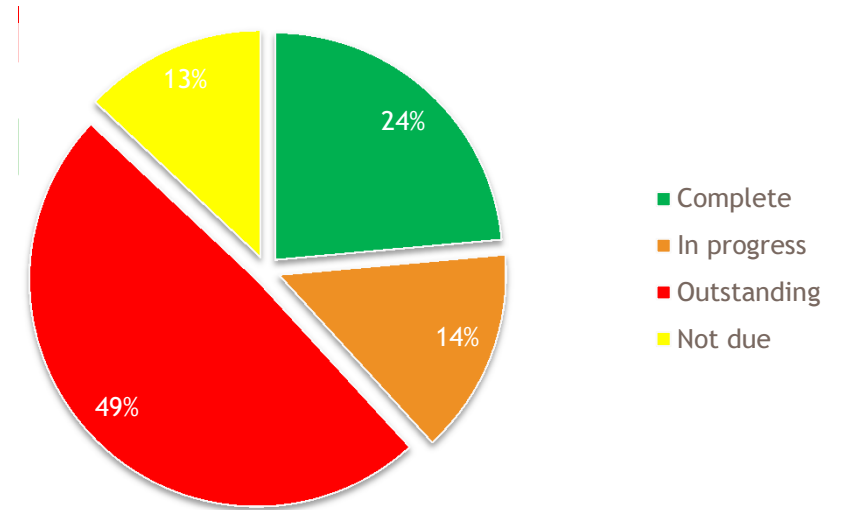
	Number	Percentage
Complete	29	24%
In progress	18	14%
Outstanding	60	49%
Not yet due	16	13%
Total prior year recommendations	**123**	**100%**

FOLLOW UP ON RECOMMENDATIONS

Listed below are the **high priority recommendations** where we have been able to verify the status and have confirmed that the recommendation is outstanding or in progress, but is overdue:

Audit	Recommendation made	Priority Level	Manager Responsible	Progress to Date
Planning Applications & Enforcement	Procedures (1) - The Planning Charters should be reviewed and updated in line with current legislation and the latest planning procedures. An up to date Validation Checklist should be produced and used by all staff responsible for validating and processing a planning application. The checklist should be signed and dated when the application has been assessed as valid. The procedures should be periodically reviewed and updated if necessary with the date of review recorded on the document. *Date due: 30 April 2013*	High	Tony Pierce	**In progress:** The Planning Charters are being reviewed in November 2014. Due to a change in national regulations new administrative processes have been implemented and therefore a validation checklist is not required. However this is being revisited as a one size fits all checklist is not appropriate.
Planning Applications & Enforcement	Procedures (2) - The Council should continue the efforts to fill the vacant posts and prioritise existing resources appropriately. *Date due: 30 August 2012*	High	Tony Pierce	**In progress**: Staffing vacancies in planning officers have been filled and some temporary vacancies in planning administration are in the process of being filled.
Risk Management	Control Design - Operational Risk Register - The Risk Register should be checked periodically to ensure that assigned Risk Owners remain accurate on the register. The leavers' checklist could incorporate a question around ensuring that any recorded risks are appropriately handed over before a Risk Owner leaves the Council or changes roles. The history (audit trail) of each risk should be retained, including when a risk is removed from the Register and the reason for its removal. The date the next update is required for each risk should be specified and management information should be regularly provided on the extent to which risk review is overdue. Mitigating actions assigned to each risk should be specific, measurable and time related with a named officer for each action identified (if not the risk owner). Include a column to indicate whether for each risk the decision is to tolerate, eliminate, transfer or treat the risk (as referred to in the I&RM Strategy). Ensure that the integrity of the Risk Register is secured, particularly because it is now maintained on a spreadsheet, by reviewing access rights. *Date due: 30 May 2014*	High	Sue White	**In progress:** The risk registers have been amended with the title of the risk owner. The other recommendations will be dealt with in the on-going training from Zurich for the Finance Assistant.

KEY PERFORMANCE INDICATORS

Performance measures for internal audit

Coverage	
Audits completed against the Annual Audit Plan.	We expect to complete the audit plan by the end of the financial year, however we have experienced some delays with current work due to staff turnover and absence of key staff.
Actual days input compared with Annual Audit Plan.	All days are in line with the plan.
Reporting	
Issuance of draft report within 3 weeks of fieldwork `closing' meeting.	The draft Customer Services report was issued within 3 weeks of the end of fieldwork.
Finalise internal audit report 1 week after management responses to report are received.	The Customer Services report was finalised 1 week after management responses were received.
Relationships and customer satisfaction	
Customer satisfaction reports - overall score at least 70% for surveys issued at the end of each audit.	Good feedback received for our work completed on Customer Services. No other reports finalised to date.
Annual survey to Audit Committee to achieve score of at least 70%.	A year end customer satisfaction questionnaire will be issued to key stakeholders, the results of which will be included in our year end plan.
Staffing & training	
At least 60% input from qualified staff.	100% of staff working on the Customer Services review have been qualified. 60% of qualified staff have been used on the audits.
Audit Quality	
Reliance on work by EY where appropriate.	Not applicable at this stage.
Positive result from any external review.	Not applicable at this stage.

KEY PERFORMANCE INDICATORS

Performance measures for management and staff

Response to reports	
Audit sponsor to respond to terms of reference within one week of receipt and to draft reports within two weeks of receipt.	• Customer Services: Terms of reference and draft report were agreed within timescale. • Partnership Review: Terms of reference was agreed by the audit sponsor within two weeks of receipt. Draft report not yet issued as audit work is in progress. • Performance Management: Terms of reference agreed within timescale. Draft report not yet issued as audit work is in progress.
Implementation of recommendations	
Audit sponsor to implement all audit recommendations within the agreed timeframe.	Not applicable at this stage.
Co-operation with internal audit	
Internal audit to confirm to each meeting of the Audit Committee whether appropriate co-operation has been provided by management and staff.	Appropriate co-operation has been provided by management and staff to date.

SECTOR UPDATE

Publications and articles

- **Government published response on local authority parking strategies:** The government launched a consultation paper on local authority parking enforcement in 2013. The consultation closed in February 2014 and the government has now responded with a number of proposals, including:
- Amending guidance to make it clear that motorists parking at an out-of-order meter should not be issued a penalty charge where there are no alternative ways to pay;
- Banning the use of CCTV cameras to enforce parking contraventions in the vast majority of cases, but with some exceptions (eg restricted areas outside of schools);
- Widening the powers of parking adjudicators. This could include, for example, measures to protect drivers where adjudicators have repeatedly identified a problem at a specific location (such as inadequate signage) and parking tickets have repeatedly been issued; and
- Introducing a mandatory 10 minute free period at the end of paid-for on-street parking either through amendments to statutory guidance or regulations.

- **Consultation on Local Government Pension Scheme:** The government is consulting on new governance arrangements, and seeks responses from interested parties on the draft regulations which are to come into force from October 2014 onwards. The main provisions, include a requirement for the Secretary of State to establish a national scheme advisory board to advise him on the desirability of changes to the scheme. Provision is also made for administering authorities to establish local pension boards to assist them with the effective and efficient management and administration of the scheme. Further information can be found at:

  https://www.gov.uk/government/consultations/the-local-government-pension-scheme-amendment-regulations-2014-draft-regulations-on-scheme-governance

- **Tool launched to help councils compare care performance on social care:** The DoH has launched a new tool to help councils compare their performance on social care with similar areas across England. The tool groups upper tier and unitary authorities by their spending on the over-65s and working age adults with learning disabilities. The aim is to help local authorities see how they are meeting various indicators, and to identify areas for improvement by viewing the performance of their peers. The tool can be found at:

  https://www.gov.uk/government/publications/adult-social-care-efficiency-tool

- New radical approach to social care unveiled:

  http://www.localgov.co.uk/Commission-unveils-radical-vision-for-social-care/37126

- Councils with fortnightly bin collections may not qualify for new £5m funding available to promote recycling:

  http://www.localgov.co.uk/Pickles-punishes-councils-that-ignore-rubbish-recommendation/37083

- BDO are completing a survey on how local government uses social media. If you would like to take part please visit:

  https://www.surveymonkey.com/s/9RT32TK

For more information on what our Local Government Advisory team are working on please visit:

Twitter: https://twitter.com/bdolocalgov
blog: http://bdolocalgov.wordpress.com/

APPENDIX I – DEFINITIONS

LEVEL OF ASSURANCE	DESIGN of internal control framework		OPERATIONAL EFFECTIVENESS of internal controls	
	Findings from review	Design Opinion	Findings from review	Effectiveness Opinion
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.

Recommendation Significance	
High	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.
Medium	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.
Low	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.

www.bdo.co.uk