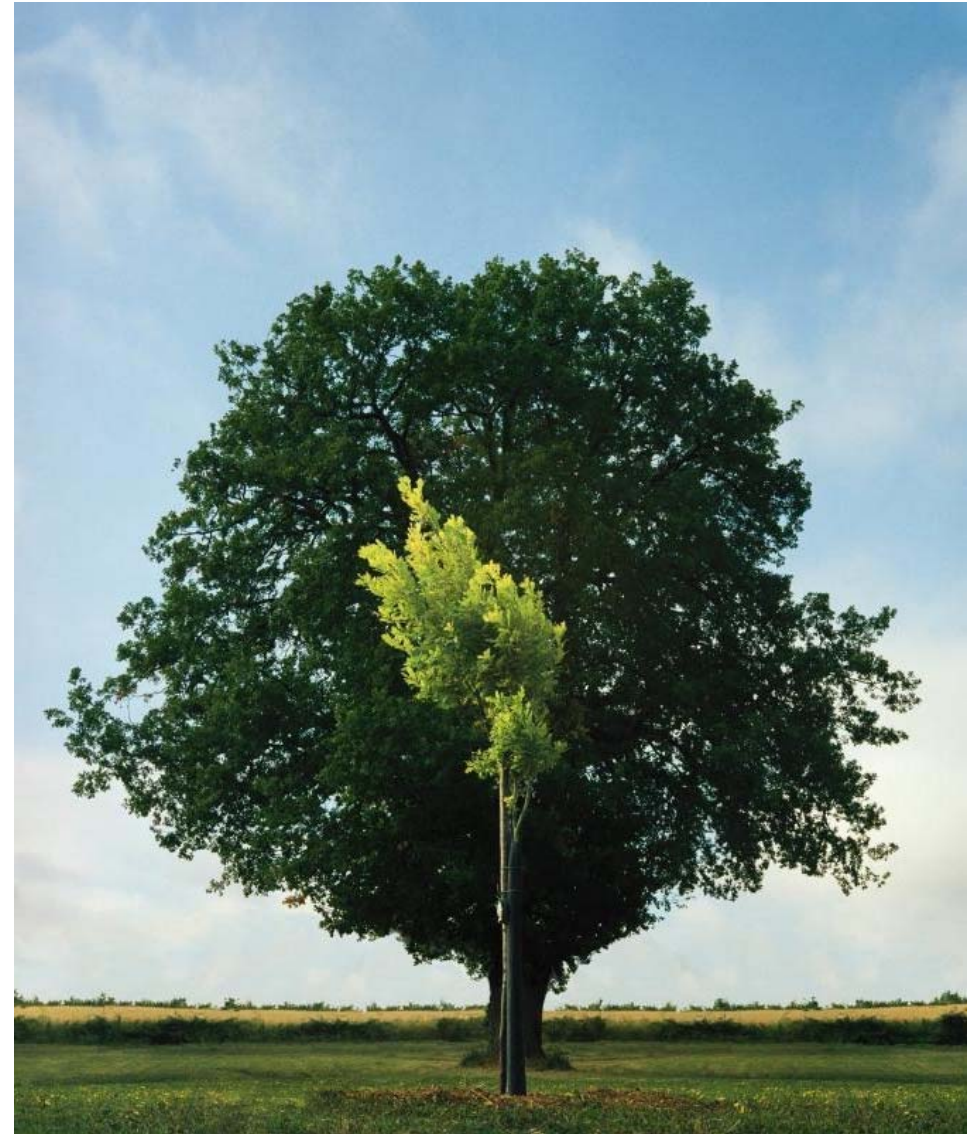


Brentwood Borough Council

INTERNAL AUDIT PROGRESS REPORT

September 2015



CONTENTS

Progress against internal audit plan	3
Progress against 2015/16 internal audit plan	4
Follow up on 2013/14 recommendations	7
Follow up on 2014/15 recommendations	9
KPIs	17
Sector Update	19

Appendices:

Definitions of assurance

PROGRESS AGAINST PLAN

Internal Audit

This report is intended to inform the Audit, Scrutiny and Transformation Committee of progress made against the 2015/16 internal audit plan which was approved by this Committee in March 2015. The audit plan for 2014/15 is now complete and this report also includes details of the final internal audit reports from the 2014/15 audit plan.

This report 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.

Work outside of the Internal Audit Plan

In June 2015 the Council requested that we complete a review of the Accounts Payable function as a result of a recent fraud that occurred in that department. This review was added into the audit plan for 2015/16 at an additional 12 days.

Overview of 2015/16 work to date

Since the previous Audit, Scrutiny and Transformation Committee in June, we have completed and finalised the reports for:

- Accounts Payable
- Counter Fraud Risk Assessment

The following reports from the 2014/15 audit plan have also been finalised:

- IT Transformation Project
- Payroll

All of the above reports, with the exception of the Counter Fraud Risk Assessment, were given limited assurance and therefore the full reports have been presented to the Audit, Scrutiny and Transformation Committee as an appendix to this progress report.

The Counter Fraud Risk Assessment has also been included as an appendix to this progress report.

PROGRESS AGAINST 2015/16 PLAN

Area	2015/16 days	Date work to be undertaken	Progress Update	Assurance - System Design	Assurance - Operating Effectiveness
A Modern Council					
Planning	20	Q2	In progress		
Customer Services	15	Q3			
Corporate Plan and Priorities	20	Q3	Planning		
Financial systems	50	Q4			
Review of Accounts Payable Arrangements	12	Q1	Final report	Moderate	Limited
Human Resources	25	Q4			
Risk Management	15	Q4			
IT Security and Governance	20	Q3			
Disaster Recovery and Business Continuity	15	Q3			
Counter Fraud Risk Assessment	10	On-going	Final report (note that 5 days are remaining for 2015/16)	N/A - assurance rating not assigned for this report	N/A - assurance rating not assigned for this report
	202				

PROGRESS AGAINST 2015/16 PLAN

Area	2015/16 days	Date work to be undertaken	Progress Update	Assurance - System Design	Assurance - Operating Effectiveness
Street scene and environment					
Safe and clean environment	15	Q1/2	Draft report		
	15				
Housing, Health and Wellbeing					
Housing systems	15	Q4			
Affordable Housing	15	Q3			
Revenues Shared Service Arrangement	15	Q3	Planning		
	45				
A Safe Borough					
Localism and building community capacity	20	Q4			
	20				

PROGRESS AGAINST 2015/16 PLAN

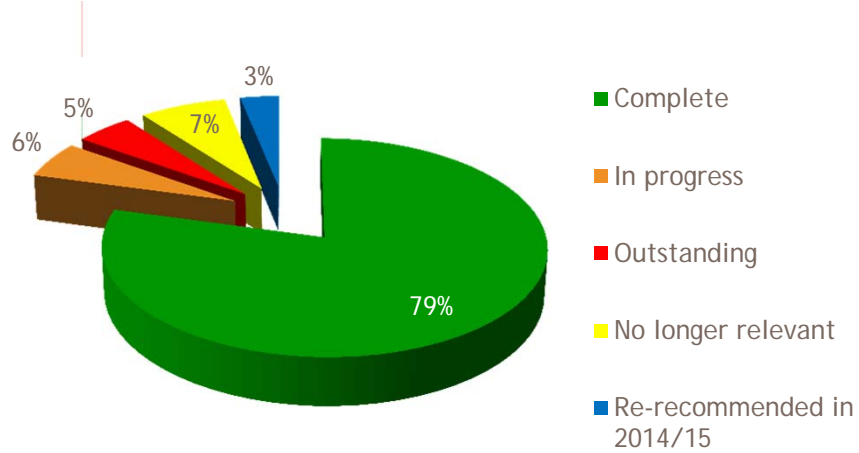
Area	2015/16 days	Date work to be undertaken	Progress Update	Assurance - System Design	Assurance - Operating Effectiveness
A Prosperous Borough					
Capital Projects	20	Q4			
Local Development Plan/Regeneration	20	Q4			
	40				
Planning, Reporting, Follow-up and Contingency					
Planning/ liaison/ management	20				
Recommendation follow up	10				
Contingency	10				
Total	40				
Total	362				

FOLLOW UP ON RECOMMENDATIONS - 2013/14

Follow up of prior year 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. We will continue to monitor the status of these recommendations. There remains 2 high priority recommendations which are in progress . We have re-recommended 4 recommendations in 2014/15.



	Number	Percentage
Complete	99	79%
In progress	7	6%
Outstanding	6	5%
No longer relevant	9	7%
Re-recommended in 2014/15	4	3%
Total prior year recommendations	125	100%

2013/14 high priority recommendations in progress

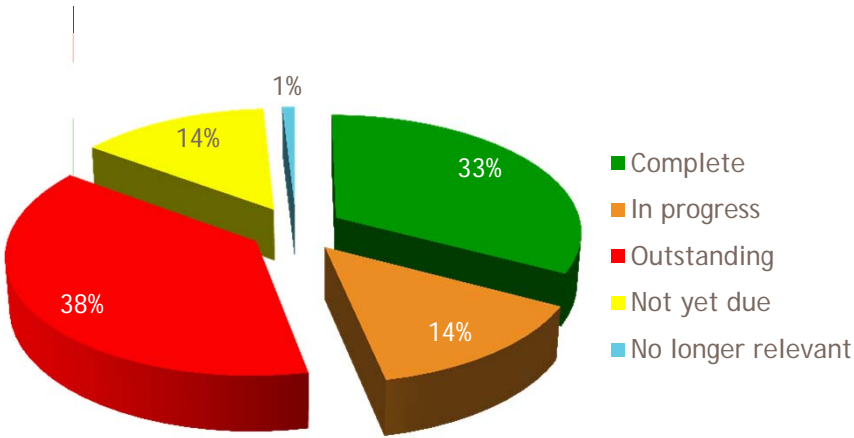
Audit	Recommendation made	Priority Level	Council Comments	Manager Responsible	Due Date	Internal Audit Comments
Planning Applications & Enforcement	Procedures (1) - The Planning Charters should be reviewed and updated in line with current legislation and the latest planning procedures. An up to date Validation 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.	H	The new administrative processes have been implemented as far as the core planning application processing is concerned. The renewed focus on these has contributed to much improve performance in processing times. However, there are several areas of less priority that have suffered as a consequence. For example, back scanning of applications has been delayed and needs to be addressed corporately.	Carole Vint (formally Tony Pierce)	30/04/13	<p>From discussions it was confirmed that a Planning Charter will not be implemented due to the lack of flexibility of the charter in a fast moving legislative environment. The Government Planning Portal is used instead which is referenced on the Brentwood website.</p> <p>The Validation Checklist is still in the process of being produced.</p> <p>We will consider this recommendation during our internal audit review within Planning for 2015/16.</p>
Planning Applications & Enforcement	Procedures (2) - The Council should continue the efforts to fill the vacant posts and prioritise existing resources appropriately.	H	The Council should continue the efforts to fill the vacant posts and prioritise existing resources appropriately.	Carole Vint (formally Tony Pierce)	30/08/12	<p>There continues to be vacancies in this area. Filling the vacancies has become more difficult now that HR has been outsourced.</p> <p>We will consider this recommendation during our internal audit review within Planning for 2015/16.</p>

FOLLOW UP ON RECOMMENDATIONS - 2014/15

Follow up of current year recommendations

We are constantly monitoring the recommendations raised during 2014/15 and have followed up on the recommendations that have become due since the completion of our review.

The diagram on the right shows the status of the recommendations raised, in progress and implemented. We have raised 26 high priority recommendations during 2014/15, 5 of which has been implemented, 9 of which are in progress, 4 are not yet due and 8 are outstanding or have not yet been verified as being implemented. The high priority recommendations that are in progress of being implemented and which have not yet been implemented are shown over the page.



	Number	Percentage
Complete	35	33%
In progress	15	14%
Outstanding	41	38%
No longer relevant	1	1%
Not yet due	15	14%
Total current year recommendations	107	100%

2014/15 high priority recommendations in progress

Audit	Recommendation made	Priority Level	Manager Responsible	Due Date	Comments
Customer Services	In order to realise tangible savings in the current financial year, the customer services team will need to carry out an exercise to record any savings that have been made to date as a result of the contact centre and put in place a monitoring framework to capture future savings.	High	Lorraine Jones Customer Contact Manager	31/08/14	The savings have not been achieved for 2014/15 and won't be realised for a few years. The new Head of Customer Services has developed a new plan and a Customer Services Strategy and is taking a more structure approach to Customer Services and the savings that can be realised. A full review of all service areas is being undertaken in 2014/15 to establish how the Customer Services function and the service areas can work together going forward. Until this review and all service areas are on board the savings achieved cannot be seen. The Customer Services Department will be the main point for recording the savings and efficiencies across all departments. This is on-going and will not realistically be seen as implemented until the full service review is completed in November 2015.
Customer Services	In order that the contact centre is able to achieve year on year savings, the Council will need to have a channel shift strategy in place with specific goals for reducing contact across each channel. This will support the contact centre to set and deliver achievable targets. We can provide good practice examples from other Councils.	High	Lorraine Jones Customer Contact Manager	31/09/14	Customer Access Strategy to be reported to Finance & Resources 14.01.2015. Customer Access Strategy Implementation Plan to include development of Channel Shift Strategy with targets. The Full strategy will not be finalised until the full service review has been undertaken, which is due to be completed in November 2015.
Housing System	The Council should look to ensure that there is a long term resolution to the senior management of the housing department as soon as practicable.	High	Christopher Leslie (formally Jo-Anne Ireland)	31/03/15	The Council have not yet implemented a long term resolution to the senior management of the housing department.

2014/15 high priority recommendations in progress

Audit	Recommendation made	Priority Level	Manager Responsible	Due Date	Comments
Housing System	<p>We recommend that the housing team agree a schedule of maintenance with the grounds maintenance team. This should detail the number of man hours scheduled per block for each task per week, allowing a charge to be accurately calculated for each block which can be substantiated if challenged. This would require a review of the outside spaces associated with the blocks.</p> <p>As part of this, the full work log of tasks carried out by the grounds maintenance team should be reviewed to confirm all costs are appropriate to be recharged to leaseholders.</p>	High	John Grisley Interim Principle Officer	31/03/15	<p>In the process of being Implemented.</p> <p>We confirmed that there is a three week rota in place for the schedule of maintenance with the grounds maintenance team. However, the Team Leader for Estates Management could not provide evidence that the rota includes the number of man hours scheduled per block for each task per week.</p> <p>To be followed up in October 2015.</p>
Partnerships	<p>We recommend that the Council design a central governance policy for partnerships, detailing what is expected in terms of governance for any particular partnership arrangement.</p> <p>As a minimum this should cover:</p> <ul style="list-style-type: none"> • Ensuring that partnerships are only entered into where the partnership delivers against one of the Council's objectives and priorities, and delivers value for money in terms of funding and officer time involved. • The requirements for formal documentation between partners. • Authorisation of the payment of funding for a partnership arrangement. • Performance monitoring against measurable targets. • Provision for annual review of involvement and additional monitoring of under performing partnerships. <p>This could also include policies around the different level of monitoring required for projects with higher or lower levels of funding and public profile.</p>	High	Kim Anderson Partnership, Leisure & Funding Manager	30/06/15	<p>In the process of being Implemented.</p> <p>This has been started - governance policy, level of authority to sign off on partnership and monitoring arrangements - depending on level of partnership/funding involved will determine level of monitoring. Corporate Plan is being revised so don't want to do this until that has been updated as need priorities to reconcile.</p> <p>To be followed up in October 2015.</p>

2014/15 high priority recommendations in progress

Audit	Recommendation made	Priority Level	Manager Responsible	Due Date	Comments
Risk Management	<p>The review of the Strategic Risk Register and the discussion of risks should be a standing item on the agenda for CLB. This should be discussed at least bi-monthly.</p> <p>The review of the Operational Risk Register and the discussion of risks should be a standing item on the agenda for SMT. This should be discussed at least bi-monthly.</p> <p>CLB should review the Operational Risk Register on a quarterly basis.</p>	High	Ramesh Prashar/Sue White	01/06/15	<p>This is in the process of being implemented</p> <p>We confirmed that at present the SMT group does not meet and the future of the group is under discussion by CLB.</p> <p>Strategic & Operational risks were reviewed by CLB on 9 June and will be reviewing them again in August.</p> <p>To be followed up at the end of September 2015.</p>
Performance Management	The Council should ensure that all key performance indicators are in line with the Corporate Plan, resulting in corporate priorities being achieved. Where key targets are varied from the Corporate Plan these should be agreed with the relevant portfolio holder member.	High	Phil Ruck Contract and Corporate Projects Manager	31/01/15	The responsible officer is in the process of updating and revamping the performance indicator dashboard and revisiting key performance indicators.
Performance Management	Targets within the Performance Indicator Dashboard should be set at a level that should be both achievable and challenging to ensure that the Council not only meet targets but begin to perform above targets. In addition, where applicable, timescales should be set for each performance indicator within the dashboard. These timescales could be staggered to show short term and medium term targets which will make the performance indicator more achievable and also more likely to be achieved by staff.	High	Phil Ruck Contract and Corporate Projects Manager	31/01/15	The responsible officer is in the process of updating and revamping the performance indicator dashboard.

2014/15 high priority recommendations in progress

Audit	Recommendation made	Priority Level	Manager Responsible	Due Date	Comments
Repairs and Maintenance	<p>It is recommend that the Council formally documents the repairs and maintenance processes and controls, so that the improvements and knowledge built up under the new contracts and processes can be passed on once the Property Manager position is permanently filled.</p> <p>For the out of scope works invoices, we suggested that the Property Manager signs the invoices confirming that they have been agreed to an approved schedule of works completed prior to the invoice being approved for payment on E-financials.</p> <p>For all out of scope works exceeding £250, it should be ensured that an order number has been raised on Orchard prior to the works being carried out.</p> <p>We can provide further assistance on the design of the controls in the process.</p>	High	Keith Carter Interim Property Manager	31/01/15	The processes and controls are in the process of being documented.

2014/15 high priority recommendations outstanding

Audit	Recommendation made	Priority Level	Manager Responsible	Due Date	Comments
Housing System	Orchard should be programmed so that when repairs or scheduled maintenance are being ordered over £500, the user is prompted to consider if a Section 20 consultation is required prior to producing an order number for works.	High	Keith Carter Interim Property Manager	31/03/15	No response received to date. To follow up.
Property Management	It is recommended that the procedure document is updated to reflect current procedures with the new contractors. The new procedure document should document the number of days target for each stage of the repairs and maintenance process so that a quick turnaround can be achieved. This will also allow individual issues in the process to be identified and monitored towards the achievement of the KPI.	High	John Grisley Interim Principle Officer	31/03/15	No response received to date. To follow up.
Performance Management	The Contract and Corporate Projects Manager's team should review the performance indicators on a quarterly basis and ensure that any areas which are underperforming are tracked on a regular basis. This will ensure that actions are being implemented to meet the performance indicators. Responsible officers for under performing indicators should be required to attend the Finance and Resource Committee to discuss areas where key targets are not being met.	High	Phil Ruck/Greg Campbell	31/03/15	No response received to date. To follow up.

2014/15 high priority recommendations outstanding

Audit	Recommendation made	Priority Level	Manager Responsible	Due Date	Comments
Payroll	<p>Ensure that the hierarchy report is circulated on a quarterly basis and remind Heads of Services the importance of positively confirming the accuracy of these.</p> <p>Ensure that reports of starters and leavers are circulated on a monthly basis.</p> <p>We will follow up to ensure all responses are received for March 2015 and that the control has been completed for quarter one of the 2015/16 year.</p>	High	Phil Ruck	31/07/15	To follow up.
Payroll	<p>Continue to embed the new starters and leavers process which has recently been implemented.</p> <p>We will follow up to ensure this process has been implemented.</p>	High	Phil Ruck	31/07/15	To follow up.
Risk Management	<p>The Risk Registers (both strategic and operational) should be linked to the Corporate Plan. The Risk Registers should be set out to show the risks associated with each Corporate Objective. For example, showing the risks under each Corporate Objective rather than by Department.</p>	High	Ramesh Prashar/Sue White	01/07/15	To follow up.

2014/15 high priority recommendations outstanding

Audit	Recommendation made	Priority Level	Manager Responsible	Due Date	Comments
IT Transformation Programme	<p>We are aware of plans for a comprehensive review of the IT & Transformation Programme (ITTP). Once revised, the plan should be presented to CLB for formal approval and evidence of approval retained.</p> <p>Senior management support and commitment to the programme should be sought at the appropriate level. Responsibility and accountability for programme delivery should be clearly defined.</p> <p>The approved programme should be made available to all relevant staff.</p>	High	Tim Huggins/Phil Ruck	30/06/15	No response received to date. To follow up.
IT Transformation Programme	<p>The Council should ensure that the needs, expectations and requirements of stakeholders are managed during the consultation process such that they are aligned with overall Corporate Objectives of the Council.</p> <p>The ITTP should be revised following the consultation process to ensure that it supports the delivery of the Council's Corporate Plan.</p>	High	Tim Huggins/Phil Ruck	31/06/15	The Corporate Plan is under review and therefore this recommendation has not yet been implemented.

KEY PERFORMANCE INDICATORS

Performance measures for internal audit

<i>Coverage</i>	
Audits completed against the Annual Audit Plan.	All audits have been completed for 2014/15. The 2015/16 audit plan has commenced.
Actual days input compared with Annual Audit Plan.	All days for 2014/15 were in line with the plan. The 2015/16 audit plan is in progress but is on track to be completed within the days set.
<i>Reporting</i>	
Issuance of draft report within 3 weeks of fieldwork `closing` meeting.	All draft reports issued to date for 2015/16 were issued within 3 weeks of discussing the findings with the client.
Finalise internal audit report 1 week after management responses to report are received.	All draft reports for 2015/16 have been finalised within 1 week of management responses being received.
<i>Relationships and customer satisfaction</i>	
Customer satisfaction	Good feedback has been received on all audits completed.
Annual survey to achieve score of at least 70%.	A year end survey for 2014/15 has been complete and good feedback was received. The 2015/16 survey will be completed in April 2016.
<i>Staffing & training</i>	
At least 60% input from qualified staff.	The audits completed to date have been done so by 100% qualified staff.
<i>Audit Quality</i>	
Reliance on work by EY where appropriate.	EY have been able to rely on the work performed to date.
Positive result from any external review.	Not applicable at this stage.

KEY PERFORMANCE INDICATORS

Performance measures for management and staff

<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.	No issues to note to date.
<i>Implementation of recommendations</i>	
Audit sponsor to implement all audit recommendations within the agreed timeframe.	See page 9 of this progress report. Not all recommendations have been implemented by the agreed timeframe.
<i>Co-operation with internal audit</i>	
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

- The following articles have recently been published:

- Faster closedown - meeting the challenge: <http://www.cipfa.org/policy-and-guidance/articles/faster-closedown-meeting-the-challenge>
- English devolution - an opportunity to realign public services: <http://www.cipfa.org/policy-and-guidance/articles/devolution-in-england>
- Treasury and Capital Management bulletin issued April 2015: <http://www.cipfa.org/policy-and-guidance/technical-panels-and-boards/treasury-and-capital-management-panel/newsletters-and-bulletins>

- The Local Audit and Accountability Act 2014 (Commencement No. 7, Transitional Provisions and Savings) Order 2015: the Local Audit and Accountability Act 2014 (Commencement No. 7, Transitional Provisions and Savings) Order 2015 has been made which preserves the relevant parts of the Audit Commission Act 1998 for 2014/15 audits. Further details can be found here: http://www.legislation.gov.uk/uksi/2015/841/pdfs/ukxi_20150841_en.pdf
- From 31 March 2015 the Audit Commission ceased to exist. Public Sector Audit Appointments Limited (PSAA) has replaced the Audit Commission. Their website can be found here: www.psa.co.uk

- The following CIPFA publications have recently been issued:

- Council Tax Demands and Precepts 2015/16: This publication describes the local levies made by authorities to fund expenditure following the implementation of the Local Government Finance Act 1992. It includes the number of chargeable dwellings by band; the average council tax per dwelling; the average Band D equivalent council tax; authorities' budget requirements and levels of precepts.
<http://www.cipfa.org/policy-and-guidance/publications/c/council-tax-demands-and-precepts-201516-estimates-pdf>
- Benefits for Persons from Abroad: This is a detailed guide aimed at practitioners, providing comprehensive and technical information on the complex rules on claims for Housing Benefit (HB) and Council Tax Support (CTS) from persons from abroad.
<http://www.cipfa.org/policy-and-guidance/publications/b/benefits-for-persons-from-abroad-online>
- A Practical Guide to Outsourcing in the Public Sector: This guide sets out the key issues that public sector organisations need to consider at each stage of the outsourcing process. It also provides an up-to-date summary of recent developments, including key provisions of the revised EU procurement rules, which came into effect in the UK on 26 February 2015.
<http://www.cipfa.org/policy-and-guidance/publications/a/a-practical-guide-to-outsourcing-in-the-public-sector-book>
- A Practical Guide for Local Authorities on Income Generation : As government funding support falls away, this revised guide can offer practical help to authorities to retain service funding.
<http://www.cipfa.org/policy-and-guidance/publications/a/a-practical-guide-for-local-authorities-on-income-generation-2015-edition-online>
- Transforming Services : Approaches, Examples, Lessons: This publication draws together a number of examples of transformation and change in the public sector. Some of the examples suggest new sources for delivery and resourcing, while others are more about rethinking existing services and resources to deliver something new or with a better outcome.
<http://www.cipfa.org/policy-and-guidance/publications/t/transforming-services-approaches-examples-lessons-online>


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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.



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