

Brentwood Borough Council

INTERNAL AUDIT PROGRESS REPORT

January 2016



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INTRODUCTION

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. 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.

Work outside of the Internal Audit Plan

No additional work has taken place.

Changes to the 2015/16 internal audit plan

At the request of the Finance Director the following amendments have been made to the 2015/16 audit plan:

- A review of Accounts Payable as a result of a fraud that occurred earlier in the year.
- A review of the Procurement of Legal Services.
- Additional time to be spent on Counter Fraud.
- The removal of a review on Capital Projects.

These changes have been reflected on pages 5 and 6 which shows the status of our work against the audit plan.

Overview of 2015/16 work to date

See page 4 for details of the audits completed since the previous Audit, Scrutiny and Transformation Committee.

PROGRESS SINCE SEPTEMBER 2015 AUDIT, SCRUTINY AND TRANSFORMATION COMMITTEE

Area	No. of days	Head of Service Responsible	Assurance - System Design	Assurance - Operating Effectiveness	No. of High priority recommendations	No. of Medium priority recommendations	No. of Low priority recommendations	Ref to Executive Summary
Safe and Clean Environment	20	Roy Ormsby	Moderate	Moderate	0	5	1	Appendix II
Planning	20	Gordon Glenday	Limited	Limited	2	9	0	Appendix III

Copies of full audit reports are available at request.

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	Q1/Q2	Final	Limited	Limited
Customer Services	15	Q3	Draft report		
Corporate Plan and Priorities	20	Q4	Draft report		
Financial systems	50	Q4	In progress		
Review of Accounts Payable Arrangements	12	Q1	Final	Moderate	Limited
Human Resources	25	Q4	In progress		
Risk Management	15	Q4			
IT Security and Governance	20	Q4	Planning		
Disaster Recovery and Business Continuity	15	Q4	Planning		
Procurement of Legal Services	5	Q3	Draft report		
Counter Fraud	18	On-going	On-going		
	215				

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	Final	Moderate	Moderate
	15				
Housing, Health and Wellbeing					
Housing systems	15	Q4	In progress		
Affordable Housing	15	Q4			
Revenues Shared Service Arrangement	15	Q3	In progress		
	45				
A Safe Borough					
Localism and building community capacity	15	Q4	Planning		
	15				

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					
Local Development Plan/Regeneration	20	Q4			
	20				
Planning, Reporting, Follow-up and Contingency					
Planning/ liaison/ management	20				
Recommendation follow up	10				
Contingency	10				
Total	40				
Total	350				

FOLLOW UP ON RECOMMENDATIONS - 2014/15

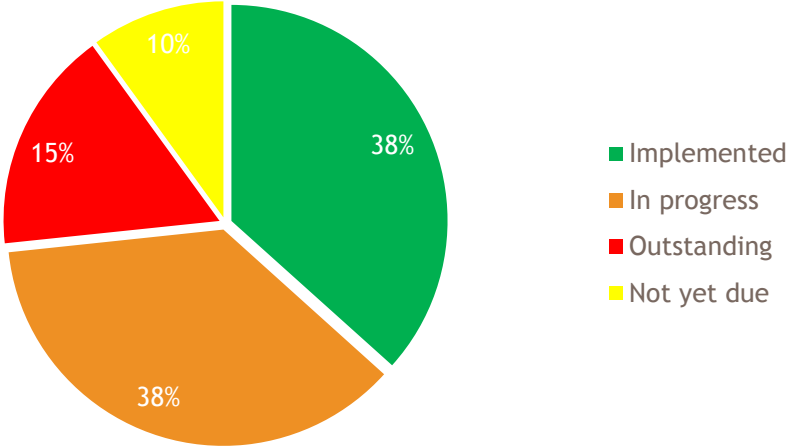
Follow up of current year recommendations

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 below shows the status of the recommendations raised, in progress and implemented. We raised 28 high priority recommendations during 2014/15, 8 of which have been implemented, 15 of which are in progress and 3 are not yet due. The details of the 2 outstanding high priority recommendations have been included in appendix VI of this report. Note that the date of a high priority recommendation was revised and is in the process of being implemented. Details are included in appendix V1.

None of the recommendations raised for 2015/16 are yet due. All of the recommendations for 2013/14 have been implemented, are no longer relevant or have been re-recommended in 2014/15 and 2015/16.

	High	Medium	Low	Total
Implemented	8	28	9	45
In progress	15	28	2	45
Outstanding	2	13	3	18
Not yet due	3	7	2	12
Total Recommendations raised	28	76	16	120



KEY PERFORMANCE INDICATORS

Performance measures for internal audit

<i>Coverage</i>	
Audits completed against the Annual Audit Plan.	The 2015/16 audit plan has commenced and is on track to be delivered by the end of March 2016.
Actual days input compared with Annual Audit Plan.	All days input into the Annual Audit Plan have been achieved to date on audits undertaken.
<i>Reporting</i>	
Issuance of draft report within 3 weeks of fieldwork `closing` meeting.	All draft reports issued for 2015/16 have been 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 will be completed in March 2016.
<i>Staffing & training</i>	
At least 60% input from qualified staff.	All audits to date have been completed 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>	
<p>Audit sponsor to respond to terms of reference within one week of receipt and to draft reports within two weeks of receipt.</p>	<ul style="list-style-type: none"> • Management responses have not been received for the review completed on the Procurement of Legal Services due to the resignation of the Monitoring Officer. • The Management responses to the Planning draft report were received 3 weeks after receipt, due to other demands on officer time. • Management responded to the terms of reference for the Revenues Shared service arrangement audit was received 2 weeks after receipt.
<i>Implementation of recommendations</i>	
<p>Audit sponsor to implement all audit recommendations within the agreed timeframe.</p>	<p>See page 8 of this progress report. Not all recommendations have been implemented by the agreed timeframe.</p>
<i>Co-operation with internal audit</i>	
<p>Internal audit to confirm to each meeting of the Audit Committee whether appropriate co-operation has been provided by management and staff.</p>	<p>Appropriate co-operation has been provided by management and staff to date.</p>

SECTOR UPDATE

BUSINESS RATES PLANS IN PLACE TO MANAGE APPEALS PROCESS

What's the update?

The Department for Communities and Local Government opened a consultation in November 2015 which set out plans to shake up the current business rates appeal process and protect councils from speculative appeals, has been published. Under the current system, councils have to meet any refunds following successful appeals from the locally retained 50% of rate growth; the value of the locally retained business rates for 2015/16 was budgeted at £42.3 million.

Currently, a majority of appeals are submitted by agents, many of whom operate on a 'no win-no fee' basis, sometimes for businesses who are unaware this is being done on their behalf. To counter this, a new fee would be charged for anyone looking to lodge an appeal. This would be refundable if appeals are successful, and will be set at between £100 to £300, similar to fees charged by other tribunals such as tax tribunals.

Where to find out more

<http://www.publicfinance.co.uk/news/2015/11/dclg-crack-down-%E2%80%98unscrupulous%E2%80%99-business-rate-appeals>

COUNCIL TAX SUPPORT LOCALISATION UNDER REVIEW

What's the update?

The government has launched a review of the localisation of council tax support in December 2015 that will consider the impact of the reform on local government finance. Under the reform, which also saw funding for council tax support cut by 10%, councils were not able to reduce the level of support offered to pensioners when they developed schemes intended to better match local circumstances. The review would consider how the change had been implemented, what it has meant for people receiving council tax support, and whether support should be part of Universal Credit payments in the future.

Where to find out more

<http://www.publicfinance.co.uk/news/2015/12/dclg-launches-review-devolution-council-tax-support>

DEVOLUTION PACKAGES NEED GREATER CLARITY OVER RISK OWNERSHIP

What's the update?

The Public Accounts Committee has called for greater clarity in the government's flagship devolution agreements after raising concerns about accountability and scrutiny arrangements in the first round of City Deals in England.

Where to find out more

<http://www.publicfinance.co.uk/news/2015/11/pac-issues-accountability-warning-devolution-deals>

SECTOR UPDATE

HOMELESSNESS RISING NATIONALLY

What's the update?

Each quarter the Department and Communities and Local Government release Statutory Homelessness statistics; in September 2015 data for the quarter April to June showed that the English local housing authorities received 27,550 applications for housing assistance under the homelessness legislation of the Housing Act 1996. In England over the same period, local authorities accepted 13,850 households, which was up 5 per cent compared to the same quarter last year.

Where to find out more

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/463017/201506_Statutory_Homelessness.pdf
http://www.oxfordmail.co.uk/news/14116406.Homeless_crisis_on_Oxford___s_streets_is_getting_worse/

DISTRICTS CALL FOR SIMPLIFICATION OF PLANNING PROCESS

What's the update?

District councils have called for the process by which local plans are adopted to be overhauled through improved scrutiny and the creation of a national list of development policies. In a submission to the government review of the planning process, the District Councils Network said the adoption of local plans could be quickened if they were simplified, with more flexible use of 'supplementary' documents that could be more readily updated.

Where to find out more

<http://www.publicfinance.co.uk/news/2015/10/districts-call-simplification-planning-process>

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.

APPENDIX II - SAFE & CLEAN ENVIRONMENT

CLIENT STRATEGIC RISKS			SUMMARY OF RECOMMENDATIONS (SEE APPENDIX II)	
Risk	1	Finance pressures <ul style="list-style-type: none"> Target levels for income are not achieved. 	High	0
This review relates to the risk that the Council does not achieve targets set for income.			Medium	5
LEVEL OF ASSURANCE (SEE APPENDIX II FOR DEFINITIONS)			Low	1
Design	Moderate	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	Total number of recommendations: 6	
Effectiveness	Moderate	Evidence of non compliance with some controls, that may put some of the system objectives at risk.		

OVERVIEW

The council operates a chargeable brown bin (green waste) service open to private residents, this costs £41 per household. The trade waste service is run commercially in order to bring income into the council and operates as contracts requiring a 3 month notice period. The waste income management system is “NTR”.

Our review found the following areas of good practice:

- For trade waste a signed contract is required before the bins are delivered, once delivered the operations team are informed of the new bins to be collected.
- Brown bins require the payment to be made upfront on the online form prior to service commencement, once the payment is confirmed a bin delivery is raised on the report it system, and delivered by the operations team.
- Efforts have been made in recent years to improve the pricing structure to reflect the true costs of delivering the services to customers and make the pricing structure more commercial for trade waste.

We also found some areas for improvement or development:

- There is not currently a clear vision for the future of the trade waste and brown bin services, this makes it difficult for the department to articulate their requirements for the system and process improvements required to modernise the service. We recommend that the department clarifies what its goals are in the medium term, and uses this to drive change in how they deliver the services. (Medium recommendation)
- We identified through discussions with officers that there was a large number of customer queries raised regarding missed collections per reports produced from the report it system. This uses a large amount of officer time in dealing with customer queries and carrying out additional ad-hoc collections. We also identified there was a lack of information around the causes of missed collections, such that it was not possible to identify the root cause of the customer queries. We recommend that the depot analyses the data supplied by the customer services centre, in order to understand the causes of customer contact, and take steps to address. The depot should also identify some KPIs to target a reduction in missed collections. (Medium Recommendations)
- Through discussions with officers we identified that customers were receiving duplicate reminder letters for trade waste contract renewals, due to a duplicate contract bug within the system. We recommend this is resolved as soon as possible. (Medium recommendation).

Overall our conclusion is moderate meaning that there is generally a sound system of internal control with evidence of non-compliance with some controls that may put some of the system objectives at risk.

APPENDIX III - PLANNING



CLIENT STRATEGIC RISKS

Risk	1	Finance pressures <ul style="list-style-type: none"> Target efficiency savings are not achieved.
This review relates to the risk that the Council does not achieve targets set for savings.		

LEVEL OF ASSURANCE (SEE APPENDIX II FOR DEFINITIONS)

Design	Limited	System of internal controls is weakened with system objectives at risk of not being achieved.
Effectiveness	Limited	Non-compliance with key procedures and controls places the system objectives at risk.

SUMMARY OF RECOMMENDATIONS (SEE APPENDIX II)

High		2
Medium		9
Low		0

Total number of recommendations: 11

OVERVIEW

The Planning Department is currently implementing the ‘Modern Planning Service’ programme, which requires members to register online for alerts in order to be informed of applications within their ward. The member has a week from the neighbours’ consultation deadline to submit a request for referral. Section 106 (S106) contributions are received by the Council from developers to mitigate the impact of development on infrastructure in the area.

Our review found the following areas of best practice:

- From our review of the new planning process we expect this will deliver administrative savings, however it is currently difficult to measure the success of this due to limitations of the data available to monitor performance against the 8 week Key Performance Indicator in detail and the process is still bedding down. There is scope for greater use of technology to achieve savings.
- From a survey of members (12 responses received) we found that generally members were happy with the training and information they are now receiving through the new planning portal process and all members surveyed were registered on the portal.


We also found some areas for improvement or development:

- Controls over S106 contributions were weak and previous recommendations from a review by Thurrock BC had not been implemented. There was not a single officer with clear responsibility for managing S106; as such there was no one with the responsibility of monitoring the agreement of the contributions with developers, collection from developers at the agreed stage of completion and utilisation of the contributions within the Council and by third parties. This leaves the Council open to the risks that the correct amounts are not collected from developers on a timely basis, funds are not used in accordance with the S106 agreement, and may be subject to dispute by the developer. We have recommended that an officer is given responsibility for monitoring S106 and this is regularly reported to a S106 working group of officers that meets quarterly. We have also recommended a clearer framework is put in place for calculating S106 contributions.
- We noted from discussions with planning officers, the Head of Environment & Street Scene and the Countryside & Open Spaces Supervisor that the new Local Development Plan is currently being developed but at the time of our audit not all relevant service areas had been involved in the process of developing the Plan. This could result in budgetary impacts on other services not being considered. Focus should be given to Service areas where the Local Development Plan has a specific policy relevance.
- The weakest response from the surveyed members was over the process of registering an interest in an application (5 of 12 surveyed). There was a lack of confidence that they would receive all the information and alerts that were relevant to that application. We have recommended that this forms one focus of the upcoming review, in terms of ensuring members are aware of what they can expect by registering their interest and that planning delivers this.

Overall our conclusion is limited based on the multiple weaknesses in the S106 processes, however we have no significant concerns over the new process requiring members to register an interest in the applications via the planning portal.

APPENDIX VI - 2014/15 high priority recommendations outstanding

Audit	Recommendation made	Priority Level	Manager Responsible	Due Date
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	Helen Gregory	31 March 2015
Repairs & 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	Steve Chapman	31 January 2015
Risk Management	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.	High	Ramesh Prashar/ Sue White	1 July 2015 (due date revised to 31 March 2016 due to new Corporate Plan being developed)



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