Brentwood Borough Council

INTERNAL AUDIT PROGRESS REPORT

February 2016

BDO

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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 JANUARY 2016 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
Customer Services	15	Steve Summers	Moderate	Moderate	4	3	1	Appendix II

Copies of full audit reports are available on 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	Final	Moderate	Moderate
Corporate Plan and Priorities	20	Q4	In progress		
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	Planning		
IT Security and Governance	20	Q4	Planning		
Disaster Recovery and Business Continuity	15	Q4	In progress		
Procurement of Legal Services	5	Q3	Final	N/A *	N/A *
Counter Fraud	18	On-going	On-going		
215					

* - this is an additional piece of work to be followed up as part of the Legal Service review being undertaken by the Council.

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	Planning		
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	Planning		
	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

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**

- Implemented 38%
- In progress 38%
- Outstanding 15%
- Not yet due 10%
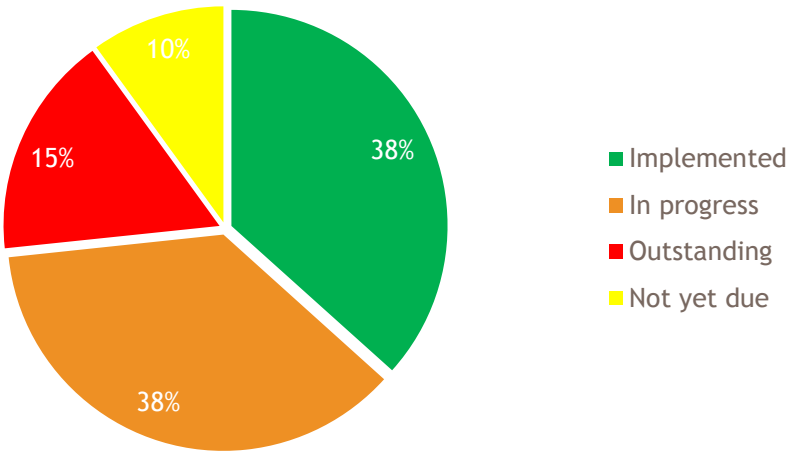
KEY PERFORMANCE INDICATORS

Performance measures for internal audit

Coverage	
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.
Reporting	
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.
Relationships and customer satisfaction	
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.
Staffing & training	
At least 60% input from qualified staff.	All audits to date have been completed by 100% qualified staff.
Audit Quality	
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

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.	• 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.
Implementation of recommendations	
Audit sponsor to implement all audit recommendations within the agreed timeframe.	See page 8 of this progress report. Not all recommendations have been implemented by the agreed timeframe.
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.

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 – CUSTOMER SERVICES

CLIENT STRATEGIC RISKS

Risk	13	Failure to deliver key Corporate Projects, including the Transformation Agenda • Failure to deliver an effective Customer Access transformation, resulting in poor customer services. • Failure to create streamlined back office services. • Failure to realise savings targets, and manage customer contact to avoid increasing costs.

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	Evidence of non compliance with some controls, that may put some of the system objectives at risk.

SUMMARY OF RECOMMENDATIONS (SEE APPENDIX II)

High		4
Medium		3
Low		1

Total number of recommendations: 8

OVERVIEW

In April 2014 Brentwood Council launched their new Corporate Contact Centre. The Centre is aimed at consolidating staff who deal with service specific enquiries into one central hub. The hub fields phone and face to face enquiries on behalf of services across the Council with the aim of achieving 80% resolution at the first point of contact. Our review of these areas carried out in the prior year year identified a number of risks in relation to the Contact Centre, and a subsequent Customer Access Strategy was produced. Our review in the current year covered some of the risks highlighted in the prior year as well as risks that have emerged since our previous review.

Our review found the following areas of good practice:

• The leadership within the Customer Services team has enabled a functional and effective department with a clear vision of the type of customer contact they want to enable. They have a good understanding of the technologies and resources needed to achieve the transformation.

• Senior leadership within the Council support the need for transformation, and have worked to build consensus at a political and operational level. The paper presented to the Audit Committee in September 2015, and 'A Better Place to Be' are important steps in enabling the transformation.

• The Council has acted on a number of recommendations from the prior year. In particular, they have developed a Customer Access strategy, supplemented by a detailed channel shift plan. They have also held the first of a series of workshops with Heads of Service to generate and maintain buy-in, and have organised the second.

• The streamlined services should have integrated and seamless processes. These plans are in the process of being developed through a series of workshops.

• The Contact Centre produce reports on a monthly basis which provide a valuable insight into the volume, reasons and outcomes of customer contact. The data is broken down by service line, which should enable services to drive evidence-based improvements.

• Savings of £100k projected for the year are expected to be realised.

APPENDIX II – CUSTOMER SERVICES

OVERVIEW

We also found some areas for improvement and development:

- There is a lack of visibility around the current cost of customer contact, and the possible financial benefits that may be realised as a result of transformation. Financial modelling to properly cost processes will be necessary to facilitate change and incentivise services. (2 high priority recommendations)

- There are some concerns within Customer Services around whether there is adequate engagement at service level. (1 high priority recommendation)

- The £100k savings projected for 2015/16 are realised through staff efficiencies. Whilst these will be achieved, the Council have been unable to realise any through shifting demand to lower cost channels, which will support efficiency targets going forward. This is partly attributable to the lack of information around cost and benefits. The Council should seek to further understand the financial implications of the way they currently work, and the potential benefits should they undertake a transformation designed to manage demand towards lower cost channels. This will form an integral part of the business case for a transformation programme, as there are concerns around the Council's appetite to undertake an invest to save programme that will entail increased immediate costs. (1 high priority recommendation)

- Whilst the recommendations set out in the prior year's review around developing a Customer Access Strategy have been actioned, there are some critical areas that still remain. The Council has not yet committed to an investment in Customer Relationship Management (CRM) or alternative software that would enable significant parts of the transformation, although discussions are taking place.

- The Business Case developed in 2014 should be built upon and updated to meet current resources and needs, in turn allowing Brentwood to build a customer access model that meets its citizens needs and is cost-effective.

- The plans to streamline services and develop new processes for customer contact, whilst being established, will need to be developed in line with procurement timescales. They should also set out the case for change, and form part of a larger business case for customer access transformation.

Despite a number of recommendations being a high priority, we have provided moderate assurance overall. There is an awareness within the Customer Service team of the types of initiatives that should be undertaken to facilitate transformation, and the team remains confident that, should resources be in place, these can be achieved. Importantly, there is also support at a leadership level to drive the transformation.

BDO are happy to share best practice examples.

APPENDIX III - 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	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. 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. 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. We can provide further assistance on the design of the controls in the process.	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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