
AUDIT PROGRESS REPORT

1 PURPOSE OF REPORT

- 1.1 This report provides Members with an update on completed audit engagements, delivery of the internal audit plan and progress in implementing audit recommendations.
- 1.2 Details of progress made in delivery of the internal audit plan are provided in appendix A.

2 INTRODUCTION

- 2.1 Internal audit is a statutory requirement under the Accounts and Audit Regulations. Internal Audit's work is monitored through regular reports presented to this Committee.
- 2.2 The 2017/18 internal audit plan was agreed by the Audit Committee on 7 March 2017.

3 RISK IMPLICATIONS

- 3.1 Failure to operate a robust assurance process (which includes delivering the internal audit plan) increases the risk that inadequacies in the Council's risk management, governance and control arrangements are not identified and effective remedial action agreed and implemented.
- 3.2 If the internal audit plan is not substantially completed by June 2018, the Chief Audit Executive (CAE) may not be able to give a sufficiently informed opinion on the Council's control environment. The CAE's opinion is a source of assurance for the Annual Governance Statement, which is also considered by the Audit Committee and is of interest to the external auditors for their assessment of the Council's arrangements to economically, efficiently and effectively use its resources. The lack of CAE opinion could negatively impact on the AGS and VFM assessment.
- 3.3 The main risk to delivering the internal audit plan is the risk of insufficient resources; this is considered below.

4 RESOURCE IMPLICATIONS

- 4.1 Excluding the CAE (provided by Basildon Council) the audit resource at the commencement of 2017/18 was 1.8 FTEs. Two of the team's three auditors at that time were part-time; each working two days per week. One of the part-time members of staff was on a fixed term contract to the end of June 2017. The other part-time member of staff left the Council on 4 August 2017.
- 4.2 Steps are being taken to recruit a full-time auditor on a career graded post. Furthermore, the purchase of additional resource will be explored to

effectively backfill the lost audit days. The audit plan will be prioritised to ensure delivery of those audits key to the CAE's annual audit opinion.

5 LEGAL IMPLICATIONS

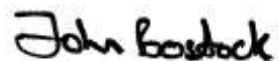
- 5.1 Under the Local Government Act 1972 (s151) and the Accounts and Audit Regulations, the Council has a responsibility to maintain an adequate and effective Internal Audit function.
- 5.2 The Internal Audit section works to the statutory Public Sector Internal Audit Standards. This includes the requirement to prepare and present regular reports to the Audit Committee on the performance of the Internal Audit service.
- 5.3 Internal audit is a key way in which Members can be assured that the Council is using its resources effectively and that the Council is discharging its fiduciary duties concerning taxpayers' money. It helps services to design systems that have appropriate controls and also helps identify and respond to breaches if they occur. The report seeks to update the Committee on the activities of the Council's Internal Audit section for the purposes of providing further assurance.

6 EQUALITY AND DIVERSITY IMPLICATIONS

- 6.1 There are no direct equality and diversity implications arising from this report.

7 RECOMMENDATION

- 7.1 It is proposed that the Committee **RESOLVES**
- (1) That the update on delivering the 2017/18 internal audit plan be noted.
 - (2) That the conclusions and results from completed audit engagements in appendices 2 and 3 be noted.
 - (3) That the updated status of audit recommendations in appendix 4 be noted.



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Background Papers:-

None.

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APPENDIX A**1 DELIVERY OF THE AUDIT PLAN**

- 1.1 A table detailing the audit engagements completed for the first quarter of 2017/18 is included at **Appendix 1**. The opinion given and main points arising from the completed audit engagements is summarised at **Appendix 2**. An explanation of the meaning of and reason for each assessment (opinion) is provided at **Appendix 5**. This appendix should be read in conjunction with **Appendix 6** setting out the recommendation categories.
- 1.2 We have also completed two “light touch” audits where an overall opinion has not been provided as these audits focused on specific areas of the process rather than the overall control environment. Summary information from this work is detailed in **Appendix 3**.
- 1.3 Internal Audit assisted Human Resources in undertaking 2 internal investigations during 2017/18 to date, accounting for 6 audit days. These were not related to fraud.

2 MONITORING OF RECOMMENDATIONS

- 2.1 Recommendations arising from completed audit engagements are shown in **Appendix 4**. This also details the current status of whether the recommendation is implemented or when it is due to be implemented.

3 COUNTER FRAUD ACTIVITY

- 3.1 Responsibility for investigation of non-benefit fraud, Local Council Tax Support (LCTS), Council Tax Discounts and Exemptions, Disability Grants and Business Rates Fraud rests with the local authority and for Rochford District Council such is undertaken by the Compliance Officer, Revenues and Benefits.
- 3.2 Investigators operating under the Single Fraud Investigation Service (SFIS) governed by the Department for Work and Pensions (DWP) investigate all Social Security Benefit Fraud, including Universal Credit, Housing Benefit and historic Council Tax Benefit, as well as Tax Credit Fraud.

Approach to Non Benefit Fraud

- 3.3 Since 1 April 2013, local authorities in England have been responsible for running their own local schemes for help with council tax. These are called Council Tax Reduction schemes. They are also sometimes known as Local Council Tax Support (LCTS). An individual can no longer make a claim for Council Tax Benefit.

- 3.4 The Council Tax Regulations 2013 introduced penalties (financial) as an alternative to prosecution in cases of LCTS fraud. A financial penalty, as an alternative to prosecution, will only be considered where there is sufficient evidence to justify the prosecution of an offence, where the offence is not so serious and where the over payment is low enough that it would not be in the public interest to prosecute.
- 3.5 In addition, civil penalties may be imposed for failure to notify the Council of any change in circumstances, where an incorrect statement of representation has been made or for failure to supply information. The £70 penalty can only be imposed where a person has not been charged with a Local Council Tax Support offence or been offered a Formal Caution or Financial Penalty. Where a penalty has been imposed for failure to supply relevant information and a further request to supply the same information is made, a further penalty of £280 may be imposed for each subsequent failure.

Compliance Team: Revenues & Benefits

- 3.6 The Council continues to conform to the requirements of the National Fraud Initiative (NFI). The NFI matches data from 1,300 public sector and 77 private sector organisations, including audit bodies in Scotland, Wales and Northern Ireland, government departments and other agencies. It flags up inconsistencies in the information analysed that indicate a fraud, an error or an over payment may have taken place, signalling the need for review and potential investigation. The Cabinet Office assumed responsibility for the NFI following the demise of the Audit Commission in March 2015. The National Exercise is a biennial event. Matches for the 2016/17 exercise were released in January 2017.
- 3.7 The National Exercise is now supplemented by an annual exercise that matches council tax data with the electoral register looking to identify false claims of single person discount (SPD).

Outcomes

- 3.8 For the NFI exercise a total of 655 matches were reported for Rochford District Council. To date a total of 610 cases have been processed and 18 cases of fraud identified with a reported value of £16,747.87 for which recovery is being sought.
- 3.9 For the SPD exercise a total of 452 matches have been processed with 43 frauds and 39 cases of error reported, totalling £36,262.49, for which recovery is being sought.
- 3.10 For 2016/17 a total of 41 (£70) penalties have been issued for failure to report a change of circumstance affecting council tax exemptions, discount, or LCTS. One claimant received two penalties for two separate offences. Out of

the 41 penalties issued, 34 have been paid and the remaining 7 are part of ongoing recovery in conjunction with other arrears.

Other Work

- 3.11 The Compliance Officer, in conjunction with the Non Domestic Rates Officer, was tasked with looking at unregistered businesses in the District. For 2016/17 a total of 90 unregistered businesses were identified, generating approximately £153,000 in previously unbilled business rates.
- 3.12 In the current financial year a further 300 or so businesses have either been brought into Non Domestic Rating or are awaiting rating by the Valuation Office.

COMPLETED AUDIT ENGAGEMENTS SUMMARY - APPENDIX 1

AUDIT ENGAGEMENT	CORE ELEMENT OF PLAN	ASSURANCE RATING	REPORTED TO AUDIT COMMITTEE	RECOMMENDATION CATEGORY			
				C	S	M	L
Trading Company Governance	Failure to ensure good governance of the Council's activities and delivery of its priorities	Adequate	26 September 2017			1	
Risk & Performance Management	Failure to ensure good governance of the Council's activities and delivery of its priorities	Adequate	26 September 2017			4	

OTHER WORK UNDERTAKEN		
AUDIT AREA	NATURE OF WORK	REPORTED TO AUDIT COMMITTEE
Housing Benefit Subsidy	<p>An in depth review of 41 benefit cases across 2016/17 selected by and on behalf of EY, the external auditor. This is a major piece of work taking in excess of 20 audit days and feeds into EY's own work on Grants Certification. As a result no Audit Opinion is given.</p> <p>A summary of the review is included in Appendix 2.</p>	26 September 2017

AUDIT ENGAGEMENTS COMPLETED SINCE JUNE 2017 AUDIT COMMITTEE

TRADING COMPANY GOVERNANCE – REPORT 1 2017/18

Audit objective

To assess whether the Council has established appropriate governance and oversight arrangements of the LATCo to ensure that the LATCo’s business objectives are met, the use of finances is transparent and meets requirement for use of public funds.

Corporate links

This audit contributes to the assurance available in regard to the following Business Plan objectives and risks identified on the corporate risk register:-

Business Plan objective

Become Financially Self-sufficient; establishment of a trading arm

Corporate risk

We fail to deliver the objectives of the Council’s Business Plan in terms of measurable outcomes

Failure to innovate and develop new ways of meeting customer needs and expectations.

Failure to ensure good governance of the Council’s activities and delivery of its priorities.

Reason for inclusion in the annual audit plan

This audit is a planned, standard assurance review identified through the annual assessment of all Council’s activities.

Audit opinion

Our opinion is expressed on the scale of assurance as set out below:-



Good	Adequate	Limited	None
	✓		
<p>The creation of a Local Authority Trading Company (LATCo) represents a new direction for the Council, but one that meets its Business Plan objective to become financially self sufficient. The approach agreed on is backed-up by detailed legal and financial advice from external consultants.</p> <p>Roles and responsibilities of the companies, Green Gateway Trading Ltd. and Green Gateway Trading (GM) Ltd and those of the Council are clearly defined in a</p>			

range of documentation completed before commencement of trading.

Provision of financial information and administrative support to the company is provided by the Council for which costs are recovered. Monitoring of the company's contracts are required to ensure that work directly for the Council, as a percentage of turnover, remains below the threshold to maintain the LATCo status.

Our opinion is expressed as a level of assurance as set out in the table below. We have formed our audit opinion based on how well controls have been designed and effectively operated to mitigate the following risks:-

Risk area	Assurance Level	No. of Recommendations
Whether the following are clearly defined and agreed:		
The Council's powers, roles and responsibilities in regard to the LATCo (including demonstrating sufficient control of the LATCo to meet the Teckal control test).	Adequate	None See below
The service/s to be delivered by the LATCo to the Council in particular the required standards and costs of such services.	Good	None
The LATCo Directors' and staff's powers, roles, responsibilities.	Good	None
How the LATCo's financial transactions will be recorded to ensure clarity of income and expenditure to meet legal and financial reporting requirements (including demonstrating keeping within the Teckal turnover test limits).	Adequate	1 Moderate
How the Council will receive assurance that the LATCo is meeting relevant legal requirements where liability and other risks (e.g. financial, reputation, etc.) would impact adversely on the Council.	Good	None
How the Council will receive assurance that the LATCo has appropriate HR policies and procedures in line with the Council's expectations.	Adequate	None

RISK & PERFORMANCE MANAGEMENT – REPORT 2 2017/18

Audit objective

To assess whether there are robust frameworks in place to manage and report on the management of performance and risk to senior management and Members.

Corporate links

This audit contributes to the assurance available in regard to the following Business Plan objectives and risks identified on the corporate risk register:-

Business Plan objective

- Maximise assets

Corporate risk

- Failure to ensure good governance of the Council's activities and delivery of its priorities
- We fail to deliver the objectives of the Council's Business Plan in terms of measurable outcomes

Reason for inclusion in the annual audit plan

This audit is a planned, standard assurance review identified through the annual assessment of all Council's activities.

Audit opinion

Our opinion is expressed on the scale of assurance as set out below:-



Good	Adequate	Limited	None
	✓		
<p>The Council has a well established corporate risk management approach which has regular reviews and approval from Members. Risk registers of service areas are generally well considered and appropriate, but are not subject to a rigorous review and reporting process.</p> <p>There is also regular reporting of performance to Members and senior management, but this is underpinned by an outdated performance framework that is not aligned to the current Business Plan.</p>			

Our opinion is expressed as a level of assurance as set out in the table below. We have formed our audit opinion based on how well controls have been designed and effectively operated to mitigate the following risks:-

Risk area	Assurance Level	No. of Recommendations
Performance and risk management processes are inconsistent due to a lack of: <ul style="list-style-type: none"> ○ clear policy / strategic guidance ○ communication and training of relevant staff 	Adequate	2 Moderate (Recommendations 1 and 2)
Performance and risk management processes are ineffective as the Council's approach is not in line with good practice	Good	None
Risks to achieving operational (business as usual) processes and the Council's strategic objectives and delivering important projects are not identified, assessed and required mitigating action identified	Adequate	1 Moderate (Recommendation 3)
Senior management and Members are not given clear, regular and timely updates on whether the council's performance and risks are being effectively managed	Adequate	1 Moderate (Recommendation 4)
Important decisions (e.g. those defined as "key") to be taken by Members and senior officers are not clearly influenced by the risks associated with the decision	Good	None

HOUSING BENEFITS SUBSIDY AUDIT 2016/17 - REPORT 4 2017/18

As part of the 2017/18 Annual Audit Plan, work was carried out on behalf of the external auditor to review a sample of benefit cases from the 2016/17 Housing Benefits Subsidy Claim. This involved testing all transactions from 2016/17 for accuracy, based on information held at the time of assessments, for 20 rent allowance cases, 20 cases in temporary accommodation and 1 modified scheme, where additional allowance is made in respect of War Pensions. This audit is carried out under DWP regulations and all errors, regardless of value, are reported.

For purpose of context the subsidy claim for 2016/17 is in the region of £17.4m. There were 1,530 claims and 12,968 changes in circumstances processed during the year with an average active caseload of 3,149.

Three minor errors were identified in rent allowances; resulting in an over payment value of £34.84 and an incorrect over payment classification of £1.41. These errors were attributable to officers.

Eight errors were identified within six cases in the temporary accommodation category with gross over payments of £2,960. Six of these errors were attributable to officers. One of the other errors was due to a process not being run prior to the sample being selected and would have been corrected before a final subsidy claim submission (£1,896.24). One other error appears to have been a system related issue which has been raised with the software supplier (£230.76).

There has been an increase in volume of errors in comparison to the claim for 2015/16; 3 errors from 42 cases. This was not unexpected as detailed in the Housing Benefit Internal Audit Report (14 – 2016/17) reported to this Committee in June 2017.

As a result of the errors seen in the temporary accommodation testing, a pro-forma is under development between the Housing Options Team and Benefits to ensure full understanding of the nature and conditions of each placement to prevent a recurrence of these errors. The need for good, ongoing communication between the two teams has been identified. In view of the pro-active work underway to address the issues identified no formal Internal Audit recommendation is required.

The result of this testing will be passed to External Audit who will consider the results and carry out further testing as required by the DWP guidelines to enable them to determine the extent and impact of the errors within the whole claim and provide their opinion of the Housing Benefit Subsidy Claim. They will make their Grants Certification Report to this Committee later in this financial year.

APPENDIX 3

LIGHT TOUCH AUDITS

Waste Management – Report 5 – 2017/18

As part of the 2016/17 Audit Plan, a limited testing review was undertaken to assess the potential risk of the Council paying more than required for a service that is not delivered or not delivered to the required standard in respect of the Council's waste management contract. Testing was undertaken on a sample of seven paid invoices from April 2016 to January 2017.

A credit of £2,750.00 for the 'Council's replacement of damaged bins' was recorded on each invoice tested. This reduction of cost had not been evidenced against the order in Focal Point (the Council's purchase ordering system) and goods receipting (authorising the "to pay" value on the system) had been for the higher original order value (the monthly contract cost). All other details were in-line with the original purchase order. The invoices were processed and paid in accordance with the supplier invoice for the lower amount.

A recommendation was therefore raised to ensure receipting of the order for payment will be at the amount to be authorised, rather than the full order total to ensure accurate authorisation values and appropriate commitment recording for Accountancy adjustments relating to end of year accounts, forecast budgeting and historical records. This has been agreed and implemented.

2016/17 Bank Reconciliation

As part of the 2016/17 Audit Plan, a light-touch review was undertaken on the Annual Bank Reconciliation for 2016/17 which makes up part of the Council's Final Accounts. The purpose of this review was to ensure that the process for reconciling the bank statement to the general ledger appears appropriate, and to confirm the final balance proofs out at zero.

A balance of £3,113.49 has been recorded on the 2016/17 whole year bank reconciliation. This has been discussed with External Audit who have deemed the value as non-material (against balances of over £7m). It is of note that the bank statement shows actual cash in hand is of higher value than that recorded in the Council's general ledger.

Deadlines for completing the Final Accounts process are being reduced with effect from 2017/18. As such, in order to reduce pressures in completing the annual reconciliation process and to reduce the likelihood of unreconciled differences, a recommendation has been made to carry out a full reconciliation process on a monthly basis. At present, a monthly reconciliation is undertaken, however this only includes two of the seven Cash and Cash Equivalent general ledger accounts and does not cover all 5 of the Council's bank accounts. This will therefore be an extension of current procedures. The recommendation has been agreed and implemented.

APPENDIX 4

PROGRESS OF AUDIT RECOMMENDATIONS

Report No	Report Title	Rec No	Risk	Recommendation	Implementation progress
3 2016/17	Safeguarding	1	M	A full review of the recruitment policy will be undertaken, together with the range of supporting procedures documentation.	<p>Agreed Implementation Date 30/4/2017. Linkage to proposed People Policy which has to be agreed prior to creating Value Based Recruitment Policy. Revised to 31/8/2017</p> <p>Draft version produced late August. To consult with LT and Unison in September with anticipated adoption of October. Revised 31/10/17.</p>

Report No	Report Title	Rec No	Risk	Recommendation	Implementation progress
3 2016/17	Safeguarding	2	M	The documentation review will include the identification of the relevant officer with responsibility for undertaking additional identification checks or UK eligibility to work checks if required.	Agreed Implementation Date 30/4/2017 Linkage to proposed People Policy which has to be agreed prior to creating Value Based Recruitment Policy. Revised to 31/8/2017 Draft version produced late August. To consult with LT and Unison in September with anticipated adoption October Revised 31/10/17
3 2016/17	Safeguarding	3	S	Procedures will be introduced to obtain formal evidence of a current DBS check in cases when a relevant post is filled via an employment agency.	Agreed Implementation Date 31/3/2017. Revised to 31/5/17 In progress but not yet completed. Revised to 31/7/2017 Implemented DELETED
3 2016/17	Safeguarding	6	M	All policies and procedures that support Safeguarding will be reviewed to ensure that versions on the website and intranet are up to date.	Agreed Implementation Date 30/6/2017 Implemented DELETED
3 2016/17	Safeguarding	7	L	Work to progress an approach for dealing with safeguarding with contractors, partners and others working with or on behalf of the Council will be managed in accordance with the Safeguarding Action Plan.	Agreed Implementation Date 30/6/2017 Implemented DELETED

Report No	Report Title	Rec No	Risk	Recommendation	Implementation progress
6 2016/17	Debtors	1	S	Revised procedures will be introduced for identifying, actioning and recording of “create invoice” requests.	Agreed Implementation Date 31/7/2017 Implemented DELETE
6 2016/17	Debtors	2	M	The Invoice Request form will be amended to include the date of submission and originating service area details. Invoice Request forms will be saved electronically for audit trail purposes, to minimise paper usage and for data security.	Agreed Implementation Date 28/2/2017 for part 1 Implemented Second part to be considered as part of a wider debtor & creditor business process review – 30/6/2017 Implemented DELETE
6 2016/17	Debtors	3	L	Periodically due income will be recorded on a master spreadsheet broken down by tabs relating to the month the income is due to be invoiced. Core data can either be recorded on the spreadsheet or a hyperlink to a master Invoice Request form stored for information uplift as required. The spreadsheet will then be updated with the invoice date and number to maintain an audit trail, minimise paper usage and save officer time.	Agreed Implementation Date 31/7/2017 Included in Finance Business Process Review (BPR) which is a work in progress. Revised 31/10/17
6 2016/17	Debtors	4	M	A basic VAT guide will be created for use by departments when claiming income due to the Council; however, responsibility will lie with the Payments & Income team to classify VAT correctly on all raised invoices.	Agreed Implementation Date 31/7/2017 Implemented DELETE

Report No	Report Title	Rec No	Risk	Recommendation	Implementation progress
6 2016/17	Debtors	5	S	The corporate debt policy will be re-written to clarify ownership, scope, usage (including escalation processes), procedure and legal requirements dependant on the nature of the debt. It should be in line with the Council's Constitution and the scheme of financial delegation, along with the Local Government Ombudsman, and be available for use by internal staff to ensure adherence to all debt recovery matters.	Agreed Implementation Date 31/7/2017 Included in Finance BPR. Revised 31/10/17
6 2016/17	Debtors	6	S	Formal operational debt recovery procedures for staff use will be documented which will translate the corporate debt policy into required actions so staff consistently and effectively recover income.	Agreed Implementation Date 31/7/2017 Included in Finance BPR. Revised 31/10/17
6 2016/17	Debtors	7	S	Reports will be provided that calculate and state the level of debts that are paid within payment terms.	Agreed Implementation Date 31/7/2017 Included in Finance BPR. Revised 31/10/17
6 2016/17	Debtors	8	S	A clear aged debtor report will be sent to management on a monthly basis to give a breakdown of debt outstanding by age and value. The aged debtor report should be supported by summary detail of activity taken in the last month to recover debt.	Agreed Implementation Date 31/7/2017 Included in Finance BPR. Revised 31/10/17
6 2016/17	Debtors	9	M	The write off report submitted for the Section 151 Officer's approval should be in a format that prevents	Agreed Implementation Date 28/2/2017

Report No	Report Title	Rec No	Risk	Recommendation	Implementation progress
				any amendments post-authorisation. For instance, through the use of a PDF instead of a Word / Excel document. The trail of the authorisation should also be saved in a manner which maintains the full audit trail of the write offs submitted and their authorisation and prevents any amendments.	To be considered as part of a wider debtor & creditor business process review – 30/6/2017 Implemented DELETE
6 2016/17	Debtors	10	M	Independent officer checks will be carried out in a timely manner to ensure no inappropriate account adjustments or write offs in relation to Debtor processes.	Agreed Implementation Date 28/2/2017 To be considered as part of a wider debtor & creditor business process review – 30/6/2017 Implemented DELETE
10 2016/17	Compliance with Contract Procedure Rules	1	S	Submit a request for an exemption for the procurement of emergency accommodation for the homeless based on rule 3.4. Arrangements to provide ongoing, non emergency accommodation needs to be awarded through an appropriate procurement procedure in line with CPR given total contract value.	Agreed Implementation Date 30/6/2017 Housing Team working with Procurement to develop working process. Revised date 30/9/17
10 2016/17	Compliance with Contract Procedure Rules	2	S	The Assistant Director, Commercial Services will require the Procurement Team to report to them and Section 151 Officer and/or Leadership Team the numbers and trends of rejected orders (e.g. common reasons, hotspots of non compliant services) to effectively target remedial action.	Agreed Implementation Date 30/9/17 <i>Target of 31/3/2017 to provide a means of reporting as an interim measure due to reliance on IT</i>

Report No	Report Title	Rec No	Risk	Recommendation	Implementation progress
					<i>Project completion for the Report Writer tool. This element is completed</i>
10 2016/17	Compliance with Contract Procedure Rules	4	M	<p>The Tender Record Book will be used in all paper-based tender exercises – recording the number of issued tenders at the time of posting and receipt of all individual tenders on an as received basis. The page will also be “closed” once the deadline has passed. COMPLETED</p> <p>The administration for contract management will be reviewed and implemented by the Procurement Team and formal procedure notes will be written and maintained. This will include the maintenance and storage of files.</p>	<p><i>Agreed Implementation Date 30/4/2017 for the administrative function. Implemented</i></p> <p>Procedure notes are under development and will be rolled out, with training. Revised to 31/7/17.</p> <p>Training has been carried out and written procedures are still under development. Revised to 15/11/17</p>
10 2016/17	Compliance with Contract Procedure Rules	7	M	<p>As part of the next review of CPR, review the following to ensure exemptions are used in an appropriate manner but also supports the delivery of business objectives:-</p> <ul style="list-style-type: none"> • threshold for exemptions • criteria for exemptions provides sufficient clarity on the principles of when exemptions are appropriate. 	<p>Agreed Implementation Date 30/9/2017</p>

Report No	Report Title	Rec No	Risk	Recommendation	Implementation progress
10 2016/17	Compliance with Contract Procedure Rules	8	S	<p>The Procurement Team will create the relevant reports within FocalPoint to identify potential cases of:-</p> <ul style="list-style-type: none"> disaggregated spend to avoid a more rigorous competitive exercise non use of corporate contracts or framework agreements invoices received without appropriate prior approved orders <p>In addition, consider updating Contract Procedure Rules to outline how and roles and responsibilities to manage this risk.</p>	<p>Agreed Implementation Date 30/9/2017</p> <p><i>Target of 31/3/2017 to provide a means of reporting as an interim measure due to reliance on IT Project completion for the Report Writer tool.</i></p> <p><i>This element is completed.</i></p>
12 2016/17	Payroll	2	M	The process for receiving reports of sickness absence will be strengthened to ensure Payroll are made aware of all absence sickness dates.	Agreed End Date 31 October 2017
13 2016/17	Main Accounting	3	S	The format of the expenditure reconciliation will be revised to enhance clarity of data entered to enable a reviewer to understand the process.	Agreed Implementation Date 30/6/2017 Ongoing process. Revised date 30/9/17
14 2016/17	Housing Benefits	1	M	Measures will be introduced to ensure that a minimum number of days in any monthly period are Quality Assured tested to identify any deterioration in assessment accuracy.	Agreed Implementation Date 30/6/17 Implemented DELETE
14 2016/17	Housing Benefits	3	M	Recovery procedures will be reviewed to identify cases where there is little or no likelihood of recovery of over payments in order to focus resource on collectable debt.	Agreed Implementation Date 30/6/17. Procedures under review Revised Date 17/9/17

Report No	Report Title	Rec No	Risk	Recommendation	Implementation progress
14 2016/17	Housing Benefits	4	L	Recovery procedures will be reviewed to minimise repeat use of "Reminders" after initial use in a recovery cycle.	Agreed Implementation Date 30/6/17 Implemented DELETE
17 2016/17	Business Continuity	1	S	All line managers will endeavour to have relevant staff contact details to ensure required business continuity action in the event of a disruption / emergency out of hours.	Agreed Implementation Date 31/5/17 To go to Leadership Team early June. Revised to 30/6/17 To be built into rolling review of service BCP – Implemented DELETE
17 2016/17	Business Continuity	2	M	Priority of service tasks will be established within service area continuity plans to determine effective use of resources if disruption impacts on more than one service area.	Agreed Implementation Date 31/5/17 To go to Leadership Team early June. Revised to 30/6/17 To be built into rolling review of service BCP – Implemented DELETE
17 2016/17	Business Continuity	3	M	Contracts with hosted software will be reviewed to ensure there are specific Recovery Point and Recovery Time objectives within them which can influence continuity planning.	Agreed Implementation Date 31/10/17
17 2016/17	Business Continuity	4	M	Specific continuity plans will be built into the IT migration project to manage relevant stages of the migration Update 22/8/17. "Contingency issues are built into service level agreement in relation to the ICT migration stages. All services areas have reviewed procedures for system specific issues."	Agreed Implementation Date 30/6/17 Implemented DELETE

Report No	Report Title	Rec No	Risk	Recommendation	Implementation progress
1 2017/18	Trading Company Governance	1	M	Procedures will be put in place to ensure turnover for Council and non-Council work is clearly identified to ensure that any potential for breaching Teckal rules are identified at an early stage and addressed.	Agreed Implementation Date 10/7/17 Implemented DELETE
2 2017/18	Performance and Risk Management	1	M	A full review of operational risk registers will be carried out to ensure that there is an effective control, review and reporting process in place within the control area of the relevant Assistant Director and the Leadership Team as a whole.	Agreed Implementation Date 31/8/17 Implemented DELETE
2 2017/18	Performance and Risk Management	2	M	The Performance Framework will be redrafted to reflect the current operational structure of the Council and to align it with the Business Plan 2016-2020.	Agreed Implementation Date 31/12/17
2 2017/18	Performance and Risk Management	3	M	Level appropriate training will be provided to those with responsibility for maintaining operational risk registers.	Agreed Implementation Date 31/12/17
2 2017/18	Performance and Risk Management	4	M	Performance measures going forward will be reviewed in line with the Business Plan 2016-2020 and will be designed to identify at an early stage if key elements of the Plan are not on schedule.	Agreed Implementation Date 31/12/17
5 2017/18	Waste Management	1	M	Receipting of the order for payment will be at the authorised amount, rather than the full order value to ensure accurate authorisation values and appropriate commitment recording for Accountancy adjustments relating to end of year accounts, forecast budgeting and historical records.	Agreed Implementation 30/6/17 Implemented DELETE

Report No	Report Title	Rec No	Risk	Recommendation	Implementation progress
7 2017/18	Bank Reconciliation	1	M	A full bank reconciliation of all bank statements to all cash and cash equivalent general ledger codes will be undertaken on a monthly basis to reduce the risk of irreconcilable differences at year end, and to assist with the closure of final accounts in-line with planned earlier deadlines.	Immediate Implementation DELETE

BASIS FOR AUDIT OPINION		
Assurance level	Internal Audit's opinion is based on <u>one or more</u> of the following conclusions applying:-	Basis for choosing assurance level
Good	<ul style="list-style-type: none"> The activity's key controls are comprehensive, well designed and applied consistently and effectively manage the significant risks. Management can demonstrate they understand their significant risks and they are proactively managed to an acceptable level. Past performance information shows required outcomes are clearly defined and consistently met. 	<p>Recommendations are 'low' rating.</p> <p>Any 'moderate' recommendations will need to be mitigated by consistently strong controls in other areas of the activity.</p>
Adequate	<ul style="list-style-type: none"> Most of the activity's key controls are in place, well designed and applied consistently and effectively manage the significant risks. Management can demonstrate they understand their significant risks and they are generally and proactively managed to an acceptable level. Past performance information shows required outcomes are clearly defined and generally met. 	<p>Recommendations are 'moderate' or "Low" rating.</p> <p>Any 'significant' rated recommendations will need to be mitigated by consistently strong controls in other areas of the activity.</p> <p>A 'critical' rated recommendation will prevent this level of assurance.</p>
Limited	<ul style="list-style-type: none"> The activity's key controls are absent or not well designed or inconsistently applied meaning significant risks. Management cannot demonstrate they understand and manage their significant risks to acceptable levels. Past performance information shows required outcomes are not clearly defined and or consistently not met. 	<p>Recommendations are 'significant' or a large number of 'moderate' recommendations.</p> <p>Any 'critical' recommendations need to be mitigated by consistently strong controls in other areas of the activity.</p>
None	<ul style="list-style-type: none"> The activity's key controls are absent or not well designed or inconsistently applied in all key areas. 	<p>Recommendations are 'critical' without any mitigating strong</p>

	<ul style="list-style-type: none">• Management cannot demonstrate they have identified or manage their significant risks• Required outcomes are not clearly defined and or consistently not met.	controls in other areas of the activity.
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APPENDIX 6

RECOMMENDATION CATEGORIES		
C	CRITICAL	<p>The identified control weakness could lead to a critical impact on the activity's ability to manage the risks to achieving its key objectives. The control weakness means the associated risk highly likely to occur or have occurred.</p> <p>There are no compensating controls to possibly mitigate the level of risk.</p>
S	SIGNIFICANT	<p>The identified control weakness could have a significant impact on the activity's ability to manage the risks to achieve its key objectives. The control weakness means the associated risk is likely to occur or have occurred.</p> <p>There are few effective compensating controls. Where there are compensating controls, these are more likely to be detective (after the event) controls which may be insufficient to manage the impact.</p> <p>The difference between 'critical' and 'significant' is a lower impact and or lower probability of occurrence and or that there are some compensating controls in place.</p>
M	MODERATE	<p>The identified control weakness could have a moderate impact on the activity's ability to manage the risk to achieving its key objectives. The control weakness does not undermine the activity's overall ability to manage the associated risk (as there may be compensating controls) but could reduce the quality or effectiveness of some processes and or outcomes.</p>
L	LOW	<p>The identified control weakness is not significant and recommendations are made in general to improve current arrangements.</p> <p>Note – these recommendations will not be followed up.</p>