Brentwood Borough Council

INTERNAL AUDIT PROGRESS REPORT

January 2015

CONTENTS

PROGRESS AGAINST PLAN

Internal Audit

This report is intended to inform the Audit and Scrutiny Committee of progress made against the 2014/15 internal audit plan which was approved by this Committee in March 2014. It summarises the work we have done, together with our assessment of the systems reviewed and the recommendations we have raised. Our work complies with Public Sector Internal Audit Standards. As part of our audit approach, we have agreed terms of reference for each piece of work with the risk owner, identifying the headline and sub-risks which have been covered as part of the assignment. This approach is designed to enable us to give assurance on the risk management and internal control processes in place to mitigate the risks identified.

Internal Audit Methodology

Our methodology is based on four assurance levels in respect of our overall conclusion as to the design and operational effectiveness of controls within the system reviewed. The assurance levels are set out in section 2 of this report, and are based on us giving either "substantial", "moderate", "limited" or "no". The four assurance levels are designed to ensure that the opinion given does not gravitate to a "satisfactory" or middle band grading. Under any system we are required to make a judgement when making our overall assessment.

Work outside of the Internal Audit Plan

No additional work has taken place.

Overview of 2014/15 work to date

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

- Property Management
- Housing System
- Repairs and Maintenance
- Car Park and Gold Club income

The report for Car Park and Golf Club income is limited assurance in terms of design and therefore the full report has been provided to Members of the Audit and Scrutiny Committee.

The report for Partnership Arrangements is currently in draft.

The following audits are in progress:

- Main Financial Systems audit, covering the general ledger, payroll, revenues and housing benefits.
- Capital Projects

All other audits are in the planning stage and will be completed by the end of March 2014.

PROGRESS AGAINST PLAN

Area	2014/15 days	Date work to be undertaken	Progress Update	Assurance – System Design	Assurance – Operating Effectiveness
A Modern Council					
Customer Service	20	Q1	Complete	Moderate	Moderate
Transformation Programme	20	Q4	Planning		
Performance Management	20	Q2	Complete	Moderate	Moderate
Financial systems	95	Q3/4	In progress		
Risk and Governance	20	Q4	Planning		
IT strategy, governance and data security	40	Q4	Planning		
Counter Fraud	15	Q4	Planning		
Car Parking and Golf Income	15	Q3/4	Complete	Limited	Moderate
	245				

Area	2014/15 days	Date work to be undertaken	Progress Update	Assurance – System Design	Assurance – Operating Effectiveness
A Safe Borough					
Partnership Working	20	Q1/Q2	Draft report – closing meeting to be held 19/01/15		
	20				

PROGRESS AGAINST PLAN

Area	2014/15 days	Date work to be undertaken	Progress Update	Assurance – System Design	Assurance – Operating Effectiveness
A Prosperous Borough					
Capital developments	25	Q3/4	In progress		
	25				

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

PROGRESS AGAINST PLAN

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

Total	400	

SUMMARY AUDIT REPORT: Housing System

CLIENT STRATEGIC RISKS

Risk	9	Lack of strategic direction
		• Poor performance management.
		• Poor delivery of priorities.
		• Failure to communicate effectively.

This review relates to the risk that the Council has a lack of strategic direction.

LEVEL OF ASSURANCE (SEE APPENDIX II FOR DEFINITIONS)

Design	Moderate	Generally a sound system of internal control designed to achieve system objectives with some exceptions.
Effectiveness	Moderate	A small number of exceptions found in testing of the procedures and controls.

SUMMARY OF RECOMMENDATIONS

High	3
Medium	10
Low	2

Total number of recommendations: 15

OVERVIEW

Brentwood Borough Council has rental income from council housing equating to c£11m per year arising from 2,500 council properties. The Housing rents and management of the Council's properties are governed by the Housing Revenue Account (HRA) Business Plan 2014 – 2044. An estimated service charge is invoiced at the start of the year to leasehold properties, a final account is invoiced or a credit note raised by the 30th of September the following year based on actual costs.

Our review found the following areas of good practice:
- There is a high level of engagement within the housing team from all levels of staff and this appeared to be actively encouraged within the department, an example of this was a presentation produced by Tenancy Management team members analysing the factors behind the Council's rent arrears levels and proposing changes that could be implemented to improve the arrears recovery process.
- The HRA business plan setting out the forecast rent charges was sound and in line with government policy. It took into account within the forecasts and projections the new rent increase cap proposed by central government for 2015/16 onwards, of CPI plus one percent.
- There are sufficient controls in place to ensure the correct rent increase letters are produced annually by the Orchard system, including sample checking of the upload of rent uplifts onto Orchard and a sample of the letters produced.

We also found a number of areas for improvement or development:
- The majority of senior officers interviewed during the course of the housing audits were employed on a temporary basis by the Council, they are implementing improvements and providing leadership to the service, however long term leadership is required to see through the improvements that are being implemented and prevent loss of expertise to the department. (High Priority)
- Efforts had been made during the year to increase the accuracy of service charges to lease holders, however we found that for the ground maintenance charge the cost of the service to lease holders could not a be accurately ascertained, as it is based on uplifted historical cost data. From discussions with housing officers, it is likely that leaseholders are currently being undercharged for this service. (High Priority)
- There were instances identified where major works to leaseholder property were not communicated to the Temp Admin Lead, which resulted in the Council failing to comply with statutory requirements for consultation, known as section 20, and only being able to recharge a maximum of £250 per property for some major works carried out in 2013/14. The example we reviewed resulted in a potential loss to the Council of £6000 (High Priority)

SUMMARY AUDIT REPORT: Housing System

OVERVIEW

- Significant increases in costs for leaseholders were not identified until the actual service charge letters for 2013/14 were produced, which resulted in some costs being taken by the Council, as they could not reasonably recharge the full amounts to lease holders (Medium priority)
- Service charges are currently a highly manual process, with the calculation carried out on a user generated spreadsheet with manual input and analysis of costs. This results in the process being unnecessarily time consuming. (Medium Priority)
- There is no documented and approved arrears process for service charges (Medium Priority)
- Through enquiries with officers it was confirmed that the upload of the rent uplift data from the test to the live system had been sample checked and approved, however the evidence of this approval was not retained by the Housing Department. Additionally there was no audit trail retained for the sample checking of rent uplift letters produced by the Orchard system. (Medium priorities)

Overall we have provided moderate assurance, which is representative of the fact in most areas the design and effectiveness of controls is adequate, however in some areas there are weaknesses around the processes and control, particularly service charges to leaseholders.

We raised 15 recommendations in total (3 high priority, 10 medium priority and 2 low priority) and an action plan has been agreed to address the recommendations.

SUMMARY AUDIT REPORT: Property Management

CLIENT STRATEGIC RISKS

Risk	9	Lack of strategic direction

- Poor performance management.
- Poor delivery of priorities.
- Failure to communicate effectively.

This review relates to the risk that the Council has a lack of strategic direction.

LEVEL OF ASSURANCE (SEE APPENDIX II FOR DEFINITIONS)

Design	Moderate	Generally a sound system of internal control designed to achieve system objectives with some exceptions.
Effectiveness	Moderate	A small number of exceptions found in testing of the procedures and controls.

SUMMARY OF RECOMMENDATIONS (SEE APPENDIX II)

High		1
Medium		3
Low		2

Total number of recommendations: 6

OVERVIEW

The properties are managed through the Orchard property management system, which records the status of each house (i.e. occupied or empty and the state of repair) and the income due through rents and service charges. The Council has also implemented a new property management system called Keystone. The council aims to turn around void properties within 23 days of the keys being received, the current average time is 28 days and is reflective of a positive direction from 33 days in the previous quarter.

Our review found the following areas of good practice:

- Records on the Orchard system are reconciled via the rent uplift spreadsheet to the fixed asset register on an annual basis.
- Bi-monthly estate inspections have been reintroduced monitoring the outcomes of caretaking and grounds maintenance and issues are communicated to the relevant parties as a result of this. Additionally this ensures that communal areas of estates are kept in a good state of repair. Estates are awarded an overall score and this is monitored.
- The housing department holds monthly KPI meetings for void re-lettings. These meetings are inclusive of all relevant staff in the department and as a result the staff are well engaged to deliver the performance indicators and innovation is fostered at all levels.

We also found a number of areas for improvement or development:

- The Void Management Procedure document has not been updated to reflect the new repairs and maintenance contracts introduced in June 2014. Additionally the document does not currently detail the target timescales for each stage of the repairs and maintenance process, resulting in difficulties in monitoring targets and may result in increased re-let times. (High priority)
- The four week notice period for council tenants is by default currently not enforced, resulting in the housing team not being able to prepare for the voids process by inspecting the property prior to tenant departure and to advertise the property on a timely basis. Additionally this may result in more difficulty in recharging council tenants for repairs. (Medium priority)
- The Keystone property management system was fully utilised at the time of the audit, resulting in manual intervention being required in the monitoring of the status of properties. (Medium priority)
- There are not currently regular performance discussions between tenancy management, property management, care taking and grounds maintenance discussing the outcomes of the estate inspections, which would further drive quality and improve services to residents and leaseholders. (Medium priority)

Overall, we have provided moderate assurance, recognising that improvements have been made to the property management process in recent months, but that further changes are required to provide a stronger control environment. We raised 6 recommendations in total and an action plan has been agreed to address the recommendations.

SUMMARY AUDIT REPORT: Repairs and Maintenance

CLIENT STRATEGIC RISKS

Risk	9	Lack of strategic direction
		• Poor performance management.
		• Poor delivery of priorities.
		• Failure to communicate effectively.

This review relates to the risk that the Council has a lack of strategic direction.

LEVEL OF ASSURANCE (SEE APPENDIX II FOR DEFINITIONS)

Design	Moderate	Generally a sound system of internal control designed to achieve system objectives with some exceptions.
Effectiveness	Moderate	A small number of exceptions found in testing of the procedures and controls.

SUMMARY OF RECOMMENDATIONS

High	1
Medium	3
Low	-

Total number of recommendations: 4

OVERVIEW

In June 2014 the majority of repairs and maintenance was consolidated into three contracts with Wates Living Space (General Building), Oakray (Mechanical and Electrical) and Precision (Lifts). The contract is structured on a per property basis for works within the scope of the fixed price. Out of scope and void works are on a per job basis, the majority of which is governed by agreed pricing structures.

Our review found the following areas of good practice:
- The new process has simplified and streamlined the repairs and maintenance reporting and monitoring.
- The KPIs built into the contracts are appropriate and with adequate monitoring will ensure that a high quality service is delivered to residents.
- There is regular monitoring of the performance of contractors with fortnightly monitoring meetings when the new system was introduced; this will be reduced to monthly as the process is embedded.
- There was evidence that the contracts went through a sufficiently competitive and well structured tender process to ensure the Council received value for money. The final choice of contractors was approved by the Communities Committee. Note that a full review of the tender was not undertaken as this was outside the scope of this audit.
- 20% of the housing stock is surveyed on an annual rotational basis, planning for works to take place on the following year. There is a maintenance plan in place that applies requirements for the decent homes standard.

We also found some of areas for improvement or development:
- Very few of the new repairs and maintenance processes and controls are formally documented currently, as a result the processes are highly dependent on the leadership of the Interim Property Manager and are not always evidenced and consistently applied. As such we were unable to sample test invoices for approval of works schedules and confirmation that orders were raised prior to works being carried out. (High Priority)
- It was noted through discussions with the Interim Property Manager that the IT link between the Contractors and the Council's Orchard system was still not live at the time of the audit, resulting in repairs having to be manually uploaded. (Medium Priority)
- The Council is currently only able to contact a small number of tenants for customer satisfaction surveys. In August 3% of tenants were contacted and in September 7% were contacted. This is below the 10% level as set out in the tender process, as calls are being made during the day when Tenants are not at home. (Medium Priority)

Overall we were able to provide a moderate assurance over the design of the controls and their operating effectiveness. We raised 4 recommendations in total (1 high priority and 3 medium priority) and an action plan has been agreed to address the recommendations.

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 still remains 10 high priority recommendations are either in progress or outstanding. We have re-recommended 1 recommendation in 2014/15.

- Complete
- In progress
- Outstanding
- No longer relevent
- Re-recommended in 2014/15
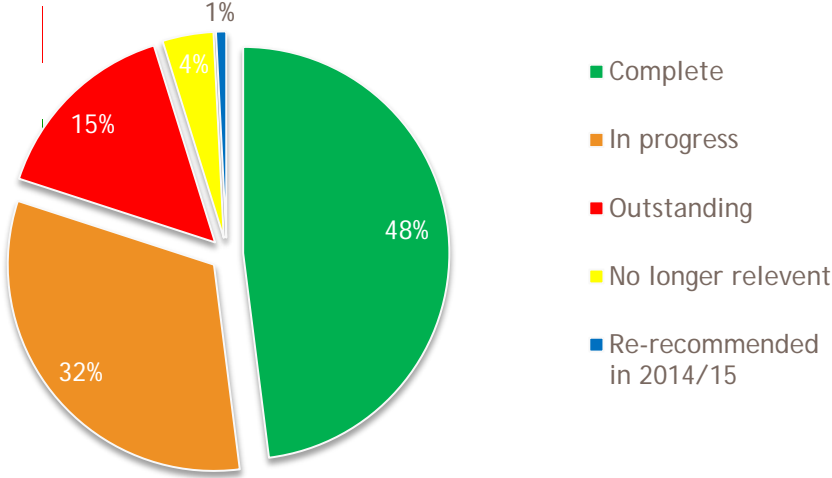
	Number	Percentage
Complete	60	48%
In progress	40	32%
Outstanding	19	15%
No longer relevant	5	4%
Re-recommended in 2014/15	1	1%
Total prior year recommendations	125	100%

Recommendations not Implemented

Audit	Recommendation made	Priority Level	Council Comments	Manager Responsible	Due Date	Internal Audit Comments
Data/ Information Security	Review and Update of Incident Management Policy - The Incident Management policy should be fully updated to ensure all job titles are current and up to date and that there is full coverage on how to deal with a loss or breach of data. This review should include: ensuring job roles in the policy align to those in BBC; the who and how of the incident management team should be defined; review if the BERR Process is suitable for BBC to handle and if not, what should be done about the elements that are not; and there should be included details on how to handle and report an information breach or loss as well as a technical security incident.	H	The Executive support officer has been in post for two weeks - work will be underway to update the policy.	Laura Needham (formally Lee Taylor)	31/03/14	From discussions with the new Executive officer we noted that work was underway to identify the policies that require updating.

No further updates have been received. We will continue to follow up on this recommendation. |
| Business Continuity | Formalised Timetable for Plan Testing - A formal timetable of testing should be put in place covering different aspects of the plans to ensure it will function correctly if required. This testing and the results can then inform any plan revisions and amendments. | H | Testing of Business Continuity plans will only commence once all plans have been revised and managers made aware of their respective roles and responsibilities. Testing of the plans will occur by 30/07/2015. | Ashley Culverwell | 15/05/14 | We will follow up on this recommendation in August 2015, once the plans have been revised. |
| Business Continuity | Centralised Committee of BCP Owners - There should be established a regular (suggest quarterly or six monthly) meeting of plan owners to discuss changes to plans in relation to organisational changes and ensure best practice is shared. | H | Once all plans are completed then plan-owner meetings are to be arranged.

Plans will be discussed by 31/05/2015 and ahead of testing. | Ashley Culverwell | 31/05/14 | We will follow up this recommendation in June 2015, once the plan owners have been identified. |

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.	Tony Pierce	30/04/13	From discussions with Tony Pierce we confirmed that the Planning Charters are going to be reviewed in November. A Validation Checklist has not been completed - There have been changes to the national regulations so a checklist has not been completed. It was noted that information requirements would be more useful than a checklist as all plans are different and therefore a one size fits all checklist would not be suitable. No further updates have been received. We will continue to follow up on this recommendation.
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.	Tony Pierce	30/08/12	We can confirm from discussions with Tony Pierce that at present there are 6 vacancies. For 5 vacancies staff have been employed and are waiting to start, however 1 vacancy has not been filled and the vacancy closing date has passed. Planning are currently suffering from a high turnover of staff. No further updates have been received. We will continue to follow up on this recommendation.

Recommendations in Progress

Audit	Recommendation made	Priority Level	Council Comments	Manager Responsible	Due Date	Internal Audit Comments
Data/ Information Security	Update Information Policy Set - All the policies should be fully reviewed and amended in line with BBC job roles, procedures, localised processes and abilities. The most current version, version 6, should be reviewed and made local to BBC and then published and publicised to staff.	H	Policies reviewed and currently in draft	Laura Needham (formally Lee Taylor)	31/03/14	At the time of the review we were not provided with the policy, as a result we were unable to verify if the policy was at a draft stage. No further updates have been received. We will continue to follow up on this recommendation.
Planning Enforcement	Planning Enforcement Policy - The Draft Planning Enforcement Policy should be updated to ensure that all amendments are addressed. The policy should be presented to members for consideration and agreement and produced as a final version when approved. The targets and timeframes endorsed within the Draft Planning Enforcement Policy should be embedded within the Councils working practices. It should be ensured that robust version control is maintained and any changes are formally documented.		A draft planning enforcement plan has been approved and published setting out revised targets and response times for investigation. As part of implementation of the plan, it is hoped that all future reporting of cases will be through the public website. However, this requires the purchased middleware between the web site and Uniform to be implemented. Once this is done, monitoring of performance using Uniform can be put into place, including key indicators set out in the draft planning enforcement plan.	Tony Pierce	30/09/14	The Planning Enforcement Policy has been drafted and is going to committee in November for sign off. However, for this policy to be effective the officer delegation must be changed as this is out of date. In addition, middleware software must be purchased in order to input the information from the website to Uniform. As middleware software is yet to be purchased records are not comprehensive.

No further updates have been received. We will continue to follow up on this recommendation. |

Recommendations in Progress

Audit	Recommendation made	Priority Level	Council Comments	Manager Responsible	Due Date	Internal Audit Comments
Business Continuity	Revision of BC Plan - The template and supporting guidance should be fully revised prior to an organisational refresh of BC arrangements. This review should include: key contacts in relation to BCP; staff roles throughout the Council; Evacuation arrangements and alternative accommodation; Current P-Card holders; and Details of virtual communications. As part of a refresh and review of the BC plans, once the correct plan managers are in place, a review of the battle boxes and their contents should be undertaken. It should be noted that it is not sufficient to have a battle box available only online as there needs to be information available in the event of a loss IT and/or power. The 42 other staff should be identified or removed from the BIA.	H	The Brentwood Business Continuity Plan is being totally revised along with the individual service plans which are not fit for purpose. The plans will follow the systemised approach taken by Braintree DC. The location and contents of all battle boxes have been checked and a contents list has been provided to all Heads of Service. New battle boxes have been obtained where an y have been found missing.

The Brentwood BCP will be completed by 30/04/2015 together with all service BCP's. | Ashley Culverwell | 30/06/14 | From review of the Business Continuity work plan we can confirm that work is underway to revise the council's business continuity arrangements. We have also noted that the battle box content record was circulated to all managers on the 7th May 2014.

We will follow up this recommendation in May 2015 to ensure that the Business Continuity Plan has been revised and is complete. |

Recommendations in Progress

| Audit	Recommendation made	Priority Level	Council Comments	Manager Responsible	Due Date	Internal Audit Comments
Business Continuity	Detailed IT BCP - The IT BC plan should contain far more detail on restoring the IT and infrastructure. This should include the where and how computers can be sourced and paid for, how many as a minimum would be required in what circumstances, who has the ability to work remotely and how people (including how many) can be set up quickly in the time of a BC event to do so. Similarly, the use of the Brentwood Centre needs to be detailed with the amount of people that could be supported there, how many points and ports are available, etc. to enable priority planning over who should get the facilities available.	H	Once all plans are completed then plan-owner training is to be arranged.	Ashley Culverwell	30/09/14	We will check progress in April/May 2015.
Business Continuity	Centralised Record of BC Priorities - Once all plan priorities have been reviewed and revised, there should be out in place one overarching plan for BBC that can be accessed in the time of an event affecting all or several parts of BBC that shows the priorities for the whole Council to enable the correct prioritisation of resources.	H	An overarching plan is currently in development. The Brentwood Business Continuity Plan will be completed by 30/04/2015 together with all service Business Continuity Plans.	Ashley Culverwell	31/08/14	From discussion with the Environmental Health manager we can confirm that the overarching plan is being developed, which the individual plans will be informed by. We will follow up this recommendation in May 2015 to ensure that the Business Continuity Plan has been revised and is complete.

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 11 high priority recommendations during 2014/15, 3 of which are in progress and 7 are not yet due. The 2 recommendations that are outstanding and not yet implemented are medium priority recommendations.

- Complete
- In progress
- Outstanding
- Not yet due
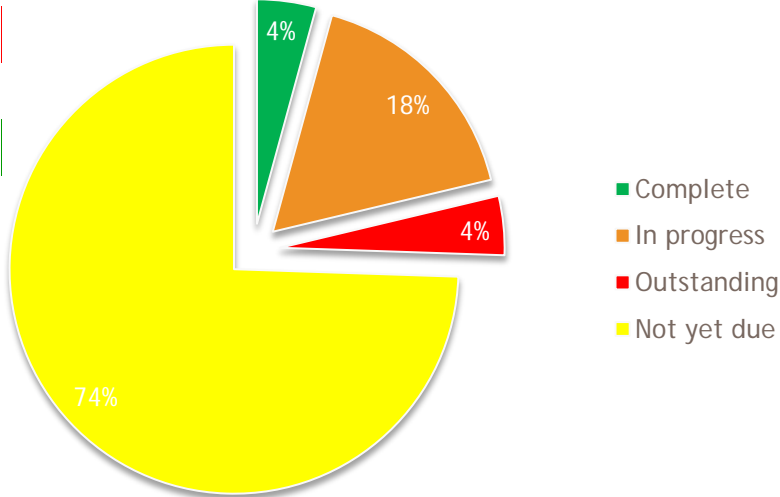
	Number	Percentage
Complete	2	4%
In progress	8	18%
Outstanding	2	4%
Not yet due	35	74%
Total current year recommendations	47	100%

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KEY PERFORMANCE INDICATORS

Performance measures for internal audit

Coverage	
Audits completed against the Annual Audit Plan.	We expect to complete the audit plan by the end of the financial year. Six audits are complete and two are in progress. All other audits are currently being planned.
Actual days input compared with Annual Audit Plan.	All days are in line with the plan.
Reporting	
Issuance of draft report within 3 weeks of fieldwork `closing' meeting.	All draft reports have been issued within 3 weeks of the closing meeting.
Finalise internal audit report 1 week after management responses to report are received.	All draft reports have been finalised within 1 week of management responses being received.
Relationships and customer satisfaction	
Customer satisfaction reports - overall score at least 70% for surveys issued at the end of each audit.	Good feedback has been received on all audits completed.
Annual survey to Audit Committee to achieve score of at least 70%.	A year end customer satisfaction questionnaire will be issued to key stakeholders, the results of which will be included in our year end plan.
Staffing & training	
At least 60% input from qualified staff.	100% of staff working on the Customer Services and Housing reviews have been qualified. 60% of qualified staff have been used on the audits.
Audit Quality	
Reliance on work by EY where appropriate.	Not applicable at this stage.
Positive result from any external review.	Not applicable at this stage.

KEY PERFORMANCE INDICATORS

Performance measures for management and staff

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

SECTOR UPDATE

- The provisional Local Government 2015/16 Finance settlement allocations have been published and can be found on the following link:

  https://www.gov.uk/government/publications/key-information-for-local-authorities-and-non-domestic-rates-pools-provisional-local-government-finance-settlement-2015-to-2016

- **The following CIPFA publications have recently been issued:**
  - ➢ **Accounting for Collaboration in Local Government (including Group Accounts Workbook):** This fully updated publication incorporates the previous Group Accounts Workbook and now covers the accounting implications of other collaborative arrangements that authorities might enter into that are outside the scope of group accounts, such as joint operations and shared services.
    http://www.cipfa.org/policy-and-guidance/publications/a/accounting-for-collaboration-in-local-government-book

  - ➢ **Outcomes and Public Service Delivery:** There is a noticeable increase in the use of outcome-based approaches to public service delivery and accountability both at national and local levels. This guide will be useful for people working with or in organisations delivering public services, including managers and officers interested in outcomes based approaches to service delivery, and in commissioning services.
    http://www.cipfa.org/policy-and-guidance/publications/o/outcomes-and-public-service-delivery-book

  - ➢ **It's a Risky Business – 2014 Edition**: This publication provides practical guidance, using case studies and examples drawn across the sector, to meet the standards and to continue to make a valuable contribution to risk management.
    http://www.cipfa.org/policy-and-guidance/publications/i/its-a-risky-business-2014-edition-book

- **The following NAO Reports have recently been issued:**
  - ➢ **Public Health England's grant to local authorities:** The National Audit Office (NAO) has recently published a report that finds that Public Health England (PHE) has made a good start in supporting local authorities with their new responsibilities for public health. The NAO considers however that it is too early to tell whether PHE's approach is achieving value for money.
    http://www.nao.org.uk/report/public-health-englands-grant-to-local-authorities/

  - ➢ **Financial sustainability of local authorities 2014 and The impact of funding reductions on local authorities**: The National Audit Office (NAO) has recently published two complimentary reports examining local authority finances: Financial sustainability of local authorities 2014 and The impact of funding reductions on local authorities. The NAO finds that local authorities have coped well with reductions in government funding, but some groups of authorities are showing clear signs of financial stress. Over a quarter of single tier and county councils (those authorities responsible for social care and education) had to make unplanned reductions in service spend to deliver their 2013-14 budgets. The NAO also found that there is significant variation in the way that authorities have responded to the funding reductions.
    http://www.nao.org.uk/report/financial-sustainability-of-local-authorities-2014/

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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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