Brentwood Borough Council

INTERNAL AUDIT PROGRESS REPORT

June 2015

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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, and a summary 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.

Overview of 2014/15 work to date

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

- Revenues and Benefits
- Partnership Arrangements
- Capital Projects
- Transformation Programme (Town Hall Re-Modelling Project)
- Risk Management
- IT Data Security

We are currently completing a full fraud risk assessment review on the counter fraud arrangements at the Council. In agreement with the S151 Officer, this audit will span financial years. The review is near completion and the draft report will be issued imminently.

The Payroll and IT Transformation audits are complete and management's responses to our recommendations are currently being agreed.

The following reports were given limited assurance and therefore the full reports have been presented to the Audit, Scrutiny and Transformation Committee as an appendix to this progress report:

- Partnership Arrangements
- Risk Management
- IT Data Security

PROGRESS AGAINST 2014/15 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 (Town Hall Re-Modelling Project)	20	Q4	Complete	Moderate	Moderate
Performance Management	20	Q2	Complete	Moderate	Moderate
Financial systems	95	Q3/4	Complete (Note Payroll and Revenues & Benefits will be presented as separate reports)	Substantial (GL) Substantial (Revs & Bens) Limited (Payroll)	Moderate (GL) Moderate (Revs & Bens) Limited (Payroll)
Risk Management	20	Q4	Complete	Limited	Moderate
IT Transformation **Data security**	20 20	Q4	Draft Complete	Limited Limited	Limited Limited
Counter Fraud	15	Q4	On-going		
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	Complete	Limited	Limited
	20				

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PROGRESS AGAINST 2014/15 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	Complete	Moderate	Moderate
	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 2014/15 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: Revenues and Benefits

CLIENT STRATEGIC RISKS

Risk	1	Finance pressures • Target levels for income are not achieved.

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

LEVEL OF ASSURANCE (SEE APPENDIX II FOR DEFINITIONS)

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

SUMMARY OF RECOMMENDATIONS (SEE APPENDIX II)

High	0
Medium	7
Low	2

Total number of recommendations: 9

OVERVIEW

The Council's revenues and benefits are processed on the Northgate system. Brentwood Borough Council receives subsidy for housing benefits of c£16m and income of £46m and £26m for council tax and national non-domestic rates respectively.

Our review has found the following areas of good practice:

- Updates to rateable values and council tax bandings are reconciled to Northgate on a weekly basis.
- There are strong controls around the review process of benefit claim applications, 5% of new claims and amendments are reviewed by a senior officer.
- The access rights control to add new users to the Northgate system have been improved and now requires a form to be signed as authorised by a Manager.
- There are strong controls around writing off housing benefit overpayments in that a hierarchy of authority levels must approve write offs prior to processing within Northgate.

We also found some areas for improvement or development:

- Currently no documentation is retained in relation to the checks performed for the annual uprating of parameters. It is recommended that rather than selecting cases randomly, which is current practice, the process for selecting and testing claims is focused on those applicable amounts that have been uprated. (Medium Recommendations)
- Through discussions with the Revenues and Benefits Manager the current policy for recovery of benefit overpayments is not followed in practice as the Revenues and Benefits Manager has found it ineffective and inflexible. The policy is currently being reviewed by the Revenues and Benefits Manager. (Medium Recommendation)
- Northgate access levels were reviewed on a regular basis by the Systems Accountant, however there was no review by the Revenues and Benefits Manager. We have recommended that users and access levels are reviewed on an annual basis by the Revenues and Benefits Manager. (Medium Recommendation)
- Through discussions with the Systems and Technical Manager, we identified that there were controls around reviewing the Council Tax and Business Rates parameters prior to running the billing reports, however there was no evidence retained for this control for the 2014/15 year. (Medium Recommendation)

Overall there is a soundly designed system of control over Revenues and Benefits, however in some cases officers were unable to supply evidence of these controls operating for the 2014/15 year.

SUMMARY AUDIT REPORT: Capital Projects

CLIENT STRATEGIC RISKS

Risks	1, 6 & 7	**Finance pressures** (risk 1) • Target levels for income and efficiency savings are not achieved. **Customer Access Strategy** (risk 6) • Unable to provide/meet customer service performance levels. **Commercial Activities** (risk 7) • Business models reveal poor market prospects. Income not realised due to weak commercial company arrangements.

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	🟧	2
Low	🟩	1

Total number of recommendations: 4

OVERVIEW

This review focussed on the integrity of key reports presented to the Council and the current governance of the William Hunter Way project. The audit also covered the integrity of the financial information presented for the revised scope of the Town Hall Remodelling project following the feasibility study undertaken on the original project.

Our review found the following areas of good practice:
- The Council undertook a successful public consultation exercise for the William Hunter Way project, where 18.6% percent of residential surveys were returned. We reviewed the underlying data and the methods used to collate and analyse the responses received. We were satisfied that the collation method was appropriate and the results of the consultation have been fairly presented to Council.
- The six William Hunter Way options presented to the Extraordinary Council on 7 April 2014, including the cited benefits and negatives of the projects, were fairly presented in order for the Extraordinary Council to make an informed decision.
- The costs presented for option 6 (Redevelop the William Hunter Way site, with a revised development brief), were arrived at in a methodical manner using the best information available. However the cost projections remain highly judgemental, given the stage of the project, so need to be continually monitored in line with the Council's project management framework.
- Both project's objectives are in line with the Corporate Plan 2013-2016; William Hunter Way has the objective of delivering against the priorities of 'A Prosperous Borough' and the Town Hall Remodelling project is intended to deliver against priorities under 'A Modern Council'.

We also found some areas for improvement:
- We reviewed the revisions to the budget of the Town Hall project and the impact on the revised scope; we noted that revisions made to the scope meant that 'sustainability' works, including roof works and replacement windows were to be carried out as a separate project at a later date. It was not clear where consideration had been given to whether this would affect the Council's ability to lease the space through Chromex or otherwise as part of a contingency plan, and whether Chromex were comfortable with these works being carried out in the near future whilst the space is being leased to their tenants. (High Recommendation)
- The highlights report for William Hunter Way has not been updated since July 2014. This is the key monitoring dashboard for the project, so is fundamental in monitoring the progress of the smaller tasks in order to achieve the overarching project timetable. We recommend that the dashboard is updated on a regular basis and that it is evidenced that tasks are monitored consistently across these reports to ensure adherence to the project timetable. This should be discussed by the working group on a regular basis. (Medium Recommendation)
- At the current stage of the project there is a lack of evidence of engagement from some key stakeholders in the William Hunter Way project, particularly the Business and Town Centres Committee, as they are a link to many other stakeholders and partners such as the Town Centre Renaissance Group. We recommend that the Project Team ensures that the external project management contractors are fully briefed to ensure consultation with all key stakeholders as far as possible, in order to build on the successful resident consultation exercise carried out so far. (Medium Recommendation)

Overall we are able to provide moderate assurance as the processes in place are generally sound to deliver the projects and their objectives, however there is some room for improvement.

SUMMARY AUDIT REPORT: Town Hall Re-modelling Project

CLIENT STRATEGIC RISKS

Risks	1, 6 & 7	**Finance pressures** (risk 1) • Target levels for income and efficiency savings are not achieved. **Customer Access Strategy** (risk 6) • Unable to provide/meet customer service performance levels. **Commercial Activities** (risk 7) • Business models reveal poor market prospects. Income not realised due to weak commercial company arrangements.

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		2
Medium		5
Low		0

Total number of recommendations: 7

OVERVIEW

In September 2013 the Council agreed an Outline Business Case to part-re-model the Brentwood Town Hall (Town Hall Remodelling Project) to use the building more efficiently, thereby creating more space for community organisations. This would also make space available to let areas to a commercial partner in order to generate an income for the Council. A budget of £3.6 million was agreed for this project. After further work, the Council identified that works in the original scope would exceed the available budget. Therefore in December 2014 the Council agreed a revised scope to comply with the available budget (£3.6 million).

The purpose of this review was to look at the process the Council has followed in order to re-model how the Town Hall is used and to provide assurance that the Town Hall Remodelling Project adheres to the revised scope as agreed in December 2014.

Our review found the following areas of good practice:

• The Council has a clear reporting structure in place to escalate any concerns about the Town Hall Re-Modelling Project. The Project's most recent Highlight Report (dated 2 February 2015) summarises how issues should be escalated, and the criteria for escalation.

• The Council has a sound governance architecture in place which provides an opportunity to manage issues and risks that arise over the course of the Project. Highlight Reports are published by the Project Team on a bi-monthly basis. These are discussed at the Town Hall Working Group.

• There is strong political oversight of the Project through the Town Hall Working Group. This is a cross-party group which ensures the Project receives continual input from all parties on the Council which can help maintain political buy-in.

• The Council has used the re-scoping of the Project as an opportunity to learn lessons and ensure the Project proceeds on a more sustainable footing.

• Staff engagement has been good throughout the Project. The Town-Hall Re-Modelling Project Team has made effective use of the Council's Town Hall Tabloid to provide regular updates to staff on how the Project is progressing. In addition the Council has held staff consultation events, which has allowed Council staff to view the proposed floor plans and an example of the new office furniture which will be used by staff under the new arrangements.

• The Council has designed the re-modelled Town Hall in a way which permits flexibility in the face of changing future demands.

SUMMARY AUDIT REPORT: Town Hall Re-modelling Project cont.

OVERVIEW

We also found some areas for improvement or development:

- The Council should make better use of the Highlight Report system which it has in place to monitor Project progress. Ensuring that there is a clear internal logic to the RAG rating assigned to project milestones, standardising descriptions of ongoing project tasks and ensuring all milestones have anticipated completion dates would make sure that the good governance architecture which the Town Hall Re-Modelling Project Team has put in place is used to its full potential. (High and medium priority)

- The revised floor plans proposed by the Council at the initial design stage do not include some external partners which currently work in the building. The Council should ensure all groups that will use the building post re-modelling are included in proposed floor plans at the earliest opportunity. (Medium priority)

- The Council should look to institute a formal process requiring external partners who will be using the Town Hall to sign up to specific commitments including the layout of space to be used, number of desks required and date when that organisation will move in. This will develop the Council's engagement with external partners (which has been good to date) to the next level, placing it on a legal footing. (High priority)

- The Council should look to formalise contingency plans if it is unable to agree revised Heads of Terms with Chromex, the commercial provider which is expected to lease floor space to the private sector on behalf of the Council. (Medium priority)

- The Council has rightly noted in Highlight Reports for the Project that a decline in service quality as a result of re-modelling is a "key risk." The Council should equip itself with sufficient management information to monitor whether departmental relocation within the Town Hall is having a detrimental impact on quality. (Medium priority)

Overall we provided 'moderate' assurance which reflected that the Council has a generally appropriate system of controls which it broadly applies across the Town Hall Re-Modelling Project. However there is still scope for improvement.

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	Planning		
Customer Services	15	Q3			
Corporate Plan and Priorities	20	Q4			
Financial systems	50	Q4			
Review of Accounts Payable Arrangements	12	Q1	Draft report	Moderate	Limited
Human Resources	25	Q4			
Risk Management	15	Q4			
IT Security and Governance	20	Q3			
Disaster Recovery and Business Continuity	15	Q3			
Counter Fraud	10	On-going	On-going		
	202				

PROGRESS AGAINST 2015/16 PLAN

Area	2015/16 days	Date work to be undertaken	Progress Update	Assurance – System Design	Assurance - Operating Effectiveness
Street scene and environment					
Safe and clean environment	15	Q1/2	Planning		
	15				
Housing, Health and Wellbeing					
Housing systems	15	Q4			
Affordable Housing	15	Q3			
Revenues Shared Service Arrangement	15	Q3			
	45				
A Safe Borough					
Localism and building community capacity	20	Q1/Q2	Planning		
	20				

PROGRESS AGAINST 2015/16 PLAN

Area	2015/16 days	Date work to be undertaken	Progress Update	Assurance – System Design	Assurance - Operating Effectiveness
A Prosperous Borough					
Capital Projects	20	Q4			
Local Development Plan/Regeneration	20	Q2			
	40				

Area	2015/16 days	Date work to be undertaken	Progress Update	Assurance – System Design	Assurance - Operating Effectiveness
Planning, Reporting, Follow-up and Contingency					
Planning/ liaison/ management	20				
Recommendation follow up	10				
Contingency	10				
Total	**40**				

Area	2015/16 days				
Total	**362**				

FOLLOW UP ON RECOMMENDATIONS – 2013/14

Follow up of prior year recommendations

We have followed up and gained evidence on the progress made against the high and medium recommendations raised during 2013/14 by the previous internal auditors, which are due to be completed before this Audit and Scrutiny Committee.

The diagram on the right shows the percentage of recommendations in progress and implemented. We will continue to monitor the status of these recommendations. There remains 2 high priority recommendations which are in progress . We have re-recommended 4 recommendations in 2014/15.

- Complete
- In progress
- Outstanding
- No longer relevant
- Re-Recommended in 2014/15
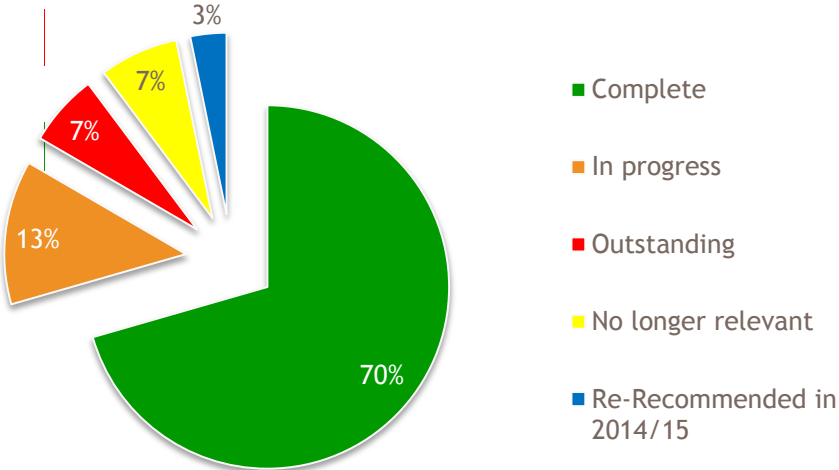
	Number	Percentage
Complete	88	70%
In progress	16	13%
Outstanding	8	7%
No longer relevant	9	7%
Re-recommended in 2014/15	4	3%
Total prior year recommendations	**125**	**100%**

2013/14 high priority recommendations in progress

Audit	Recommendation made	Priority Level	Council Comments	Manager Responsible	Due Date	Internal Audit Comments
Planning Applications & Enforcement	Procedures (1) - The Planning Charters should be reviewed and updated in line with current legislation and the latest planning procedures. An up to date Validation Checklist should be produced and used by all staff responsible for validating and processing a planning application. The checklist should be signed and dated when the application has been assessed as valid. The procedures should be periodically reviewed and updated if necessary with the date of review recorded on the document.	H	The new administrative processes have been implemented as far as the core planning application processing is concerned. The renewed focus on these has contributed to much improve performance in processing times. However, there are several areas of less priority that have suffered as a consequence. For example, back scanning of applications has been delayed and needs to be addressed corporately.	Carole Vint (formally Tony Pierce)	30/04/13	From discussions it was confirmed that a Planning Charter will not be implemented due to the lack of flexibility of the charter in a fast moving legislative environment. The Government Planning Portal is used instead which is referenced on the Brentwood website.

The Validation Checklist is still in the process of being produced.

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. | Carole Vint (formally Tony Pierce) | 30/08/12 | There continues to be vacancies in this area. Filling the vacancies has become more difficult now that HR has been outsourced.

We will continue to follow up on this recommendation. |

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 15 high priority recommendations during 2014/15, 3 of which has been implemented, 6 of which are in progress, 3 are not yet due and 3 are outstanding. The 6 recommendations that are outstanding and not yet implemented are medium priority recommendations.

- Complete
- In progress
- Outstanding
- No longer relevant
- Not yet due
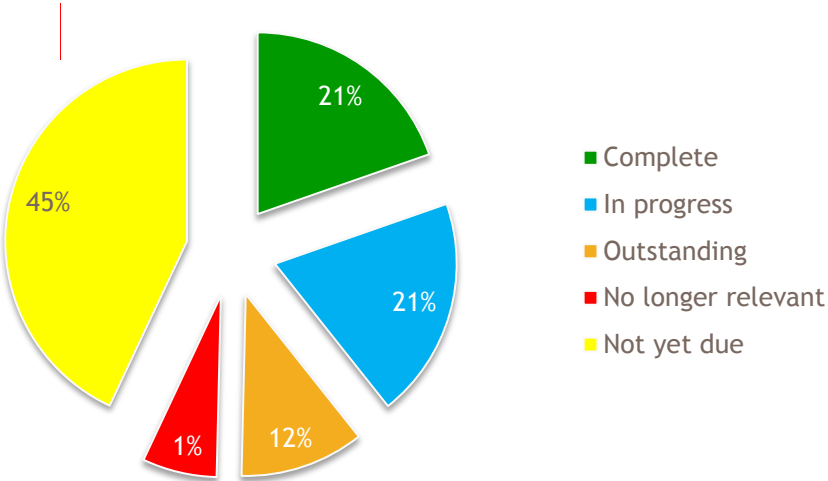
	Number	Percentage
Complete	16	21%
In progress	16	21%
Outstanding	9	12%
No longer relevant	1	1%
Not yet due	35	45%
Total current year recommendations	**77**	**100%**

2014/15 high priority recommendations in progress

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

2014/15 high priority recommendations in progress

Audit	Recommendation made	Priority Level	Manager Responsible	Due Date	Comments
Housing System	We recommend that the housing team agree a schedule of maintenance with the grounds maintenance team. This should detail the number of man hours scheduled per block for each task per week, allowing a charge to be accurately calculated for each block which can be substantiated if challenged. This would require a review of the outside spaces associated with the blocks. As part of this, the full work log of tasks carried out by the grounds maintenance team should be reviewed to confirm all costs are appropriate to be recharged to leaseholders.	High	John Grisley Interim Principle Officer	31/03/15	We are currently in the process of following this up and will update the audit committee verbally.
Housing System	Orchard should be programmed so that when repairs or scheduled maintenance are being ordered over £500, the user is prompted to consider if a Section 20 consultation is required prior to producing an order number for works.	High	Keith Carter Interim Property Manager	31/03/15	We are currently in the process of following this up and will update the audit committee verbally.

2014/15 high priority recommendations in progress

Audit	Recommendation made	Priority Level	Manager Responsible	Due Date	Comments
Performance Management	The Council should ensure that all key performance indicators are in line with the Corporate Plan, resulting in corporate priorities being achieved. Where key targets are varied from the Corporate Plan these should be agreed with the relevant portfolio holder member.	High	Phil Ruck Contract and Corporate Projects Manager	31/01/15	The responsible officer is in the process of updating and revamping the performance indicator dashboard and revisiting key performance indicators.
Performance Management	Targets within the Performance Indicator Dashboard should be set at a level that should be both achievable and challenging to ensure that the Council not only meet targets but begin to perform above targets. In addition, where applicable, timescales should be set for each performance indicator within the dashboard. These timescales could be staggered to show short term and medium term targets which will make the performance indicator more achievable and also more likely to be achieved by staff.	High	Phil Ruck Contract and Corporate Projects Manager	31/01/15	The responsible officer is in the process of updating and revamping the performance indicator dashboard.
Property Management	It is recommended that the procedure document is updated to reflect current procedures with the new contractors. The new procedure document should document the number of days target for each stage of the repairs and maintenance process so that a quick turnaround can be achieved. This will also allow individual issues in the process to be identified and monitored towards the achievement of the KPI.	High	John Grisley Interim Principle Officer	31/03/15	We are currently in the process of following this up and will update the audit committee verbally.

2014/15 high priority recommendations in progress

Audit	Recommendation made	Priority Level	Manager Responsible	Due Date	Comments
Repairs and 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	Keith Carter Interim Property Manager	31/01/15	The processes and controls are in the process of being documented.

KEY PERFORMANCE INDICATORS

Performance measures for internal audit

Coverage	
Audits completed against the Annual Audit Plan.	All audits have been completed for 2014/15. Two reports are in draft as we are currently agreeing management responses. These were both issued early April 2015. The 2015/16 audit plan has commenced.
Actual days input compared with Annual Audit Plan.	All days for 2014/15 were in line with the plan.
Reporting	
Issuance of draft report within 3 weeks of fieldwork `closing' meeting.	All draft reports for 2014/15 were issued within 3 weeks of the closing meeting or the end of fieldwork. The draft report issued for 2015/16 was 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 2014/15 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 has been issued and we are awaiting the results.
Staffing & training	
At least 60% input from qualified staff.	10 of the audits completed were undertaken by 100% qualified staff. 60% of qualified staff have been used on all other audits.
Audit Quality	
Reliance on work by EY where appropriate.	EY have been able to rely on the work performed.
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.	• All terms of references for 2014/15 were agreed within the timescale. • Management responses were not received within 2 weeks of the draft report being issued for the following audits: Partnership Arrangements, Risk Management, Payroll, IT Transformation, IT Data Security. • We are still currently agreeing management responses for the following audits: Payroll, IT Transformation.
Implementation of recommendations	
Audit sponsor to implement all audit recommendations within the agreed timeframe.	See page 18 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.

SECTOR UPDATE

- **The following articles have recently been published:**

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

- **The Local Audit and Accountability Act 2014 (Commencement No. 7, Transitional Provisions and Savings) Order 2015:** the Local Audit and Accountability Act 2014 (Commencement No. 7, Transitional Provisions and Savings) Order 2015 has been made which preserves the relevant parts of the Audit Commission Act 1998 for 2014/15 audits. Further details can be found here: http://www.legislation.gov.uk/uksi/2015/841/pdfs/uksi_20150841_en.pdf
- From 31 March 2015 the Audit Commission ceased to exist. Public Sector Audit Appointments Limited (PSAA) has replaced the Audit Commission. Their website can be found here: www.psaa.co.uk

- **The following CIPFA publications have recently been issued:**

  - **Council Tax Demands and Precepts 2015/16**: This publication describes the local levies made by authorities to fund expenditure following the implementation of the Local Government Finance Act 1992. It includes the number of chargeable dwellings by band; the average council tax per dwelling; the average Band D equivalent council tax; authorities' budget requirements and levels of precepts.
    http://www.cipfa.org/policy-and-guidance/publications/c/council-tax-demands-and-precepts-201516-estimates-pdf

  - **Benefits for Persons from Abroad:** This is a detailed guide aimed at practitioners, providing comprehensive and technical information on the complex rules on claims for Housing Benefit (HB) and Council Tax Support (CTS) from persons from abroad.
    http://www.cipfa.org/policy-and-guidance/publications/b/benefits-for-persons-from-abroad-online

  - **A Practical Guide to Outsourcing in the Public Sector:** This guide sets out the key issues that public sector organisations need to consider at each stage of the outsourcing process. It also provides an up-to-date summary of recent developments, including key provisions of the revised EU procurement rules, which came into effect in the UK on 26 February 2015.
    http://www.cipfa.org/policy-and-guidance/publications/a/a-practical-guide-to-outsourcing-in-the-public-sector-book

  - **A Practical Guide for Local Authorities on Income Generation** : As government funding support falls away, this revised guide can offer practical help to authorities to retain service funding.
    http://www.cipfa.org/policy-and-guidance/publications/a/a-practical-guide-for-local-authorities-on-income-generation-2015-edition-online

  - **Transforming Services : Approaches, Examples, Lessons:** This publication draws together a number of examples of transformation and change in the public sector. Some of the examples suggest new sources for delivery and resourcing, while others are more about rethinking existing services and resources to deliver something new or with a better outcome.
    http://www.cipfa.org/policy-and-guidance/publications/t/transforming-services-approaches-examples-lessons-online

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APPENDIX I – DEFINITIONS

LEVEL OF ASSURANCE	DESIGN of internal control framework		OPERATIONAL EFFECTIVENESS of internal controls	
	Findings from review	Design Opinion	Findings from review	Effectiveness Opinion
Substantial	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
Moderate	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
Limited	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
No	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.

Recommendation Significance	
High	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
Medium	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
Low	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.

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