TITLE	**Business Assurance Progress Report**
FOR CONSIDERATION BY	Audit Committee on 4 February 2014
WARD	None Specific
DIRECTOR	Julie Holland, Interim Head of Business Assurance & Democratic Services

OUTCOME / BENEFITS TO THE COMMUNITY

The Business Assurance Progress Report details the Business Assurance Activity between the 1 October 2013 and 31 December 2013. This is an update on the progress towards the formation of the Head of Internal Audit Opinion which forms part of the Annual Governance Statement. It provides assurance through the Audit Committee to Council and the wider public that the Council is managing its key risks and identifies any weaknesses identified in the governance, risk management and internal control. This assurance supports the council in the achievement of its vision, priorities, principles and objectives and provides for better and improved outcomes for our residents.

RECOMMENDATION

The Audit Committee is asked to note the Business Assurance Progress report (attached).

SUMMARY OF REPORT

The report summarises the work completed by the Internal Audit and Investigations during the period and enables the Committee to discharge its oversight function in relation to these activities.

The report provides the opportunity for the Head of Internal Audit to provide details of the work of undertaken this financial year and highlight any areas of weakness the committee should be aware of.

Background

This progress report enables the Audit Committee to hold the Head of Internal Audit to account and facilitates the Audit Committee in holding management to account for managing weaknesses identified during the course of internal audit and investigations activities.

Analysis of Issues

The Business Assurance Progress report provides the committee with assurance over the key governance, risk management and internal controls operating in the Council. The committee should ensure that the coverage, performance and results of Business Assurance activity are clearly communicated to the Audit Committee and any additional assurances are identified by the Committee.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

The Council faces severe financial challenges over the coming years as a result of the austerity measures implemented by the Government and subsequent reductions to public sector funding. It is estimated that Wokingham Borough Council will be required to make budget reductions in excess of £20m over the next three years and all Executive decisions should be made in this context.

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	N/A	Yes	N/A
Next Financial Year (Year 2)	N/A	Yes	N/A
Following Financial Year (Year 3)	N/A	Yes	N/A

Other financial information relevant to the Recommendation/Decision

Not applicable.

Cross-Council Implications

Not applicable.

Reasons for considering the report in Part 2

Not applicable.

List of Background Papers

None.

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Date 24 January 2014	**Version No.** 1

WOKINGHAM
BOROUGH COUNCIL

◈Business Assurance
Successfully Improving Governance

BUSINESS ASSURANCE

PROGRESS REPORT

Quarter 3

2013/14

Wokingham Borough Council
23 January 2014

Contents

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1. INTRODUCTION

1.1 This report summarises the main findings arising from the Business Assurance (BA) work completed in the period 1 October 2013 to 31 December 2013. There are two main strands to this work: Internal Audit (IA) and Investigations.

1.2 IA provides an independent appraisal and consultancy service that underpins good governance, which is essential in helping the council achieve its strategic objectives and realise its vision for the borough of Wokingham. It is also a requirement of the Accounts and Audit (England) Regulations 2011 that the council undertakes an adequate and effective IA of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.

1.3 Investigations are responsible for providing a comprehensive range of investigation services to all key stakeholders. Our primary objective is to meet the Chief Finance Officer's statutory obligation to prevent and detect fraud and corruption against the council. This includes benefit fraud, whistleblowing allegations and other types of corporate fraud such as Housing Tenancy Fraud.

1.4 The Investigations team also helps to drive improvements in performance across the council by investigating any serious breaches of the council's policies including the staff code of conduct. Other main areas of their work include delivery of the Government's National Fraud Initiative (NFI) and providing anti-fraud and anti-corruption awareness training to staff and Members.

1.5 BA would like to take this opportunity to formally record its thanks for the co-operation and support it has received from the management and staff of the council during the year to date.

Purpose of the Business Assurance Progress Report

1.6 This report presents the council's Chief Executive, Directors and Audit Committee with information on all BA work covered and assurance in this respect during the period 1 October 2013 to 31 December 2013. It also provides an opportunity for the Interim Head of Business Assurance and Democratic Services to highlight to the council's Corporate Leadership Team (CLT) and Audit Committee any significant issues that they need be aware of.

2. EXECUTIVE SUMMARY

2.1 There have been a number of significant internal audit reports finalised recently. There is a positive direction of travel for both Optalis Financial Management (3.1.4) and Property Services (3.1.5) with an overall decrease in the level of risk the council is exposed to in these areas. There was one limited assurance report related to Personal Budgets and the management information available which presents a risk to the council. (3.1.3). The Business Continuity Planning (3.1.7) review established that there was reasonable assurance over the councils BCP process at service level and proactive management action has already been taken to further enhance the process.

2.2 The Investigations team have already met the full year benefits overpayment target and whilst continuing to investigate allegations of benefit fraud are continuing to direct their resources towards other areas of the authority.

2.3 The Investigations team have continued to work on delivering their risk based proactive work plan, with proactive work commenced in Tenant Services and Council Tax.

2.4 Investigations are currently working on a Housing Tenacy proactive drive in conjunction with the company Call Credit. This has entailed detailed credit checking procedures against every home in the Councils housing stock. The data was received from Call Credit on 12 November 2013 and 2612 houses checked. The data returned from the Call Credit Tenancy Drive is currently being reviewed. So far there are 14 cases identified as 'high risk' which require further investigation. The team will be doing reviews of these cases with Tenant's Services, who will carry out visits once further information has been gathered.

2.5 A programme of proactive work within Council Tax is currently being followed, currently the team are in conducting the Employer drive, which entails cross referencing benefit claimants to lists of employees in the local area. We have made contact with local businesses and utilised our Authorised Officer powers to obtain the necessary information. The drive commenced on 28 October 2013, 65 employers were contacted and the team are processing the responses in batches. Lists of employees have been received from the first batch of 18 and are now being analysed. There are 4 cases currently under investigation, two of which are ready for interview.

2.6 A joint pro-active drive with Council Tax is underway looking at Student Discounts for Council Tax. Preliminary work has resulted in the identification of 22 cases for further investigation.

2.7 In relation to the Single Fraud Investigation Service (SFIS), we have received the following update. The DWP are currently working on implementation plans and this will include a rollout schedule. National rollout of SFIS is planned to commence in October 2014 and will be completed by March 2016. The DWP are currently considering introducing SFIS to a small number of test sites early in 2014 in order to test implementation ahead of the proposed rollout.

2.8 The DWP have advised that there is at this stage insufficient information to say conclusively whether TUPE will or will not apply.

2.9 The DWP have advised that they will commence discussions with Local Authorities in the New Year. They have indicated that discussions will take place around four months prior to the proposed implementation in each area. In the case of any benefits prosecution cases all of these will be processed by the CPS following the implementation of SFIS. Further updates will be communicated to Audit Committee.

3. ANALYSIS OF BUSINESS ASSURANCE ACTIVITY: 1 OCT 2013 to 31 DEC 2013

3.1 2013/14 IA Work

3.1.1 The individual IA reviews carried out in the 1 April 2013 to 31 December 2013 period are listed at Appendix A, which details the assurance levels achieved and provides an analysis of recommendations made (in accordance with the recommendation priorities outlined at Appendix C).

3.1.2 In the period between 1 October and 31 December the following IA activity was completed:

- Eight terms of reference were issued.
- Six draft reports were issued.
- Four final reports were issued.
- One grant was certified.

3.1.3 There was one limited assurance report issued. In November 2013 the Director – Health and Wellbeing commissioned IA to perform further testing into Personal Budgets. Following this additional work IA has given this area a 'Limited' audit opinion. The testing focused on

service users and their annual reviews. These reviews are a statutory requirement and we have established that there is a backlog of reviews. There is insufficient management information related to overdue assessments being produced. Furthermore, Frameworki , which is used to manage case files and issue reports has several data quality issues.

3.1.4 Following the limited assurance report into Optalis Key Financial Controls we have completed a second follow up to ensure that controls that were put in place in June had become embedded. This follow up identified that there was a significant strengthing of financial controls in a number of key areas. There were some areas where action had yet to be fully completed but the overall position is a reduction in the level of financial risk and strengthened communication channels with WBC.

3.1.5 Internal Audit have also completed the review of Property Services. Several areas of significant risk were identified in the Property Service by Business Assurance in 2011/12; a management action plan was produced to address these areas. An Internal Audit review was commissioned into the area to assess the progress made against these actions and ensure robust improvements had been made to the control environment. This audit identified a strong direction of travel within the service since the previous review.

3.1.6 The financial controls had been considerably strengthened and key materials weaknesses addressed. However, the procurement model in place was deemed not to be optimal and has created challenges for both Procurement and Property services. Some key procedures have also yet to be fully embedded. The Property Business Manager has worked with the Property Services team to provide their own management action table, in liaison with Internal Audit, to address the key findings identified. A full follow up of all recommendations will be undertaken through the formal Internal Audit follow up process as the deadlines for these actions pass.

3.1.7 Internal audit conducted a review of the council's business continuity planning (BCP) arrangements with a particular focus on service level plans. This review provided reasonable assurance over the BCP process; plans were in place but required updating and there was scope to improve quality assurance processes. We identified that there was a risk of role ambiguity between service BCP and council wide BCP processes and have suggested to management a BCP Champion role to ensure effective liaision and clarity of responsibility. This recommendation has been embraced by management. There has also been a marked improvement in BCP arrangements for critical contractors since the previous audit and the BCP Champion role will further enhance this process.

3.2 2013/14 Benefits Fraud Investigations

3.2.1 Between 1 October and 31 December there have been 4 **sanctions**, including 2 **successful prosecutions** for benefit fraud.

3.2.2 In a case dating back to 2006, Edward Horne (40), a student living on Overhill Road, Bristol, admitted in court to receiving £986.91 of housing benefit that he wasn't entitled to on 21 November 2013. Horne had failed to inform Wokingham Borough Council that in January 2006 his circumstances had changed. He subsequently failed to attend interviews to explain his actions, also refusing to pay a penalty as an alternative to court action.

3.2.3 After failing to appear at court in February 2007 a warrant was issued for Horne's arrest. He later appeared in court and was given bail in August 2007, but again didn't turn up at court and a new warrant was issued for his arrest. However, six years later Horne was finally arrested at his home in Bristol and brought back to face the charge.

3.2.4 Horne was sentenced by Magistrates to pay a fine of £110, reduced to £65 due to his time in custody, and was also ordered to pay the borough council £300 towards the cost of bringing the case to court as well as having to repay the overpaid benefits.

3.2.5   On 27 November 2013 Ben Duckett (26) of Beaconsfield Way, Earley, plead guilty to three charges of dishonestly making a false representation to claim benefits from Wokingham Borough Council due to undeclared work.

3.2.6   Duckett was sentenced on 4th December to a 12 month community order with 50 hours unpaid work. He was also ordered to pay £650 in costs to the council and a victim surcharge of £60. Duckett has voluntarily repaid £3,000 to the Council to date and will be pursued for the rest.

3.3   2013/14 Other Investigations

3.3.1   There have been **14** other investigation referrals during Q2:

• One case relating to Attendance Allowance is ongoing;

• Two internal cases are ongoing;

• One internal case was closed following an investigation which led to management action being taken;

• Two cases were not investigated following risk assessment;

• Three cases were closed following consultancy leading to management action;

• One Housing Tenancy 'Right to Buy' case is ongoing;

• One Housing Tenancy case in relation to alleged subletting is ongoing;

• One case relating to Housing Tenancy and Council Tax Single Person Discount is ongoing;

• One case relating to Council Tax Single Person Discount is ongoing; and

• One case relating to Care Home Placement is ongoing

3.4   Deferred IA Reviews

3.4.1   No reviews have been deferred this quarter.

3.5   Key Performance Indicators

3.5.1   **KPI 1 - Client Satisfaction Score**

The client satisfaction score out of 100% based on client feedback from post audit engagement questionnaires.

There have been a low number of post audit questionnaires returned in the period. The overall client satisfaction is **77.5%** for questionnaires returned in the reporting period.

The benchmark is 67% which equates to 'agree' against the four key criteria that comprised the previous performance indicators. Above this figure requires 'strongly agree' to one or more of the statements.
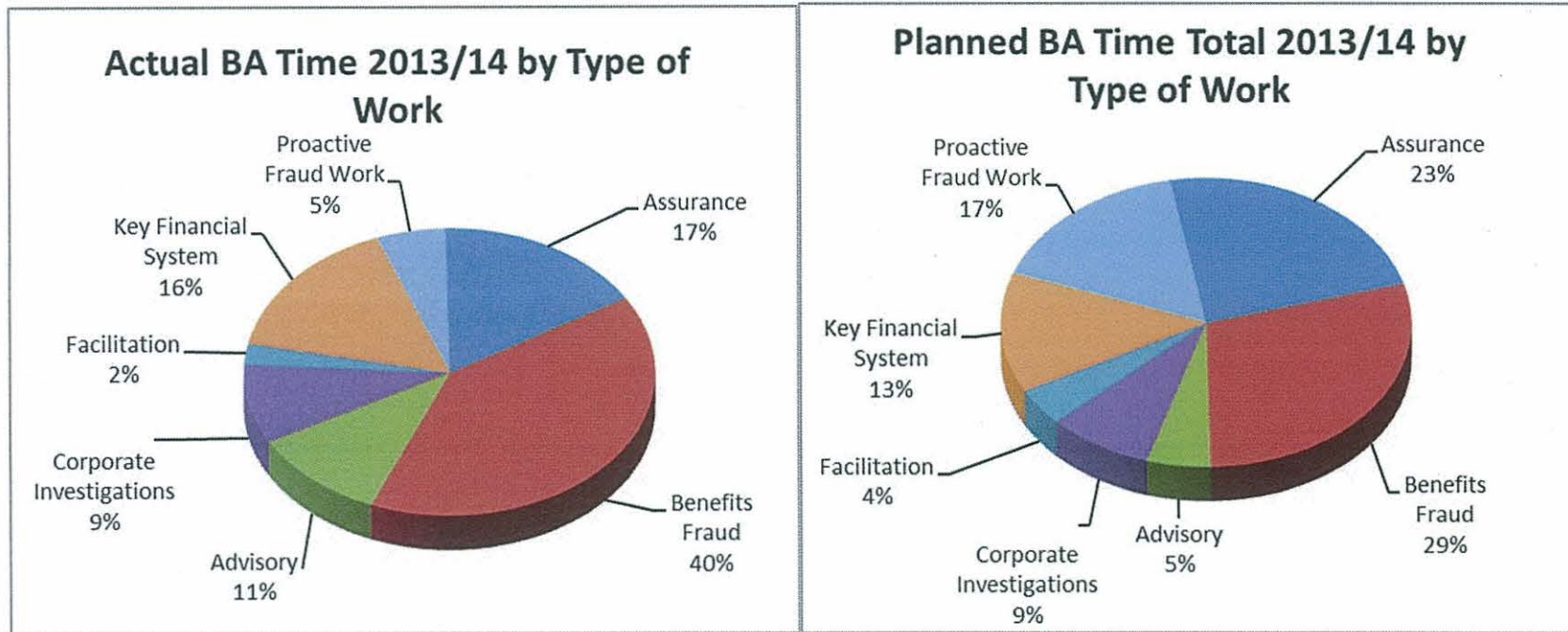
3.5.2   **KPI 2 - Improvements to the Control Environment**

Internal control and risk management improvements recommended to management accepted or implemented.

There were 94 recommendations made in reports that were finalised in the period from the 1 April 2013 to 31 December 2013. **100%** of these were accepted by management. The results of the follow up activity show that there was an implementation rate of **73%**. This compares with last years 82% implementation rate. The details are reported separately in the agenda, but the main issue this year has been management requesting more time to execute implementation.

### 3.5.3 KPI 3 – Where the work of Business Assurance is focused

Comparison of actual and planned focus of BA by type of work undertaken:

Actual BA Time 2013/14 by Type of Work
- Proactive Fraud Work 5%
- Assurance 17%
- Key Financial System 16%
- Facilitation 2%
- Corporate Investigations 9%
- Advisory 11%
- Benefits Fraud 40%

Planned BA Time Total 2013/14 by Type of Work
- Proactive Fraud Work 17%
- Assurance 23%
- Key Financial System 13%
- Facilitation 4%
- Corporate Investigations 9%
- Advisory 5%
- Benefits Fraud 29%

These two charts detail the distribution of days by type of BA work. This enables CLT and the Audit Committee to maintain an overview of where resources are being used. Both charts detail BA work at Wokingham Borough Council and exclude any work provided to other local authorities/external Clients.

Due to the request for RWP/Change and Improve work, resources have been moved from planned assurance activity to consultancy work at the start of the year this is beginning to correct itself as assurance and KFS work increases. Other KPI's below (5 & 7) reflect outcomes achieved on Benefits Fraud. Following these results resources are shifting to proactive fraud work for the remainder of the year.

3.5.4 KPI 4 – Delivery of Internal Audit Days ⬆

Internal Audit Days Delivered Q1- Q3 April - Dec 2013
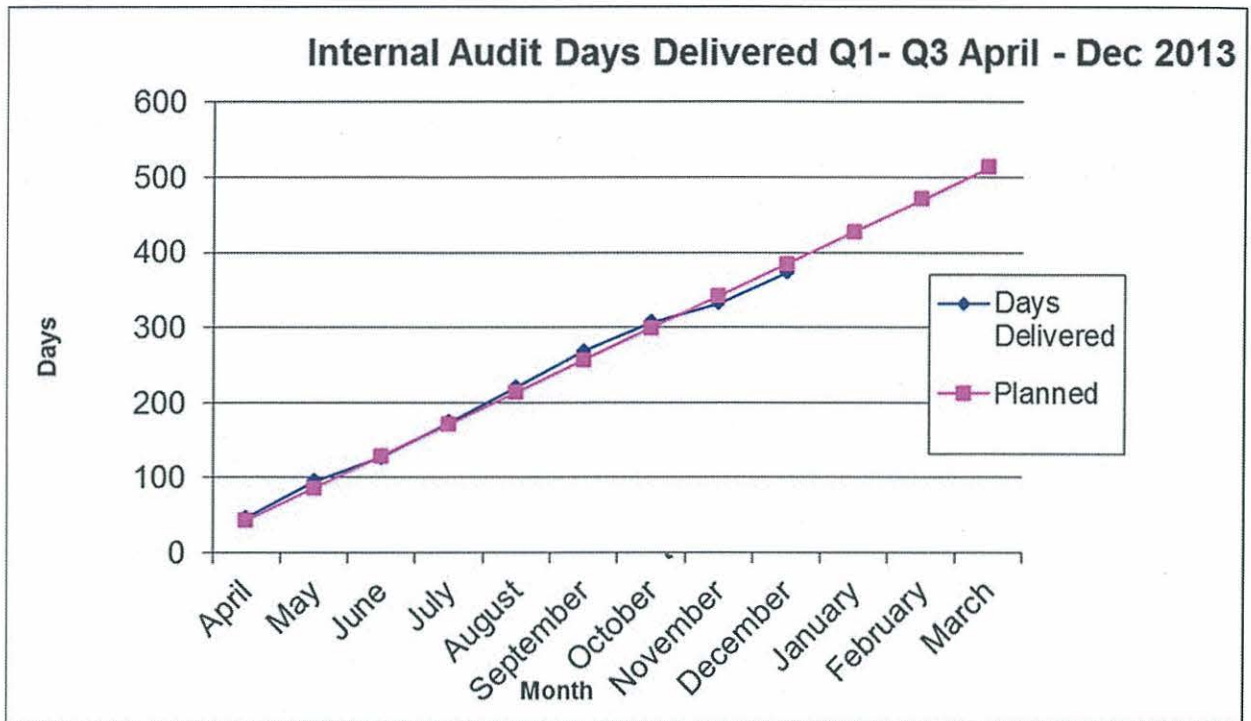
It should be noted that the number of days delivered contains some estimated for Q2 data given the change in time recording system implemented in this period. Q3 data is actual data.

We are proposing to review this KPI for 2014/15. Although this years experience has been an exceptional one: delivering support to RWP at the start of the year and assurance at the end, this pattern of delivery has highlighted that this indicator can be modified to give the Audit Committee greater oversight. The current identicator measures total audit days delivered but this does not highlight the use of those resources and the threat this year posed to the Head of Internal Audit opinion because of the use of resources early in the year on non-assurance activity. The revised indicator will provide greater visability on this key aspect and measure against assurance days detailed in the IA plan. This will enable variances to be highlighted more robustly.

3.5.5 KPI 5 – Benefit Overpayments

The year's target for identifying overpaid benefits (this can be due to either fraud or error) is £200,000 for 2013/14.

Between 1 October 2013 and 31 December 2013 a total of **£47,786.08** of overpaid benefits has been identified by BA. In total **£320,846.24** in overpaid benefits has been identified against the year to date target of **£150,000**.
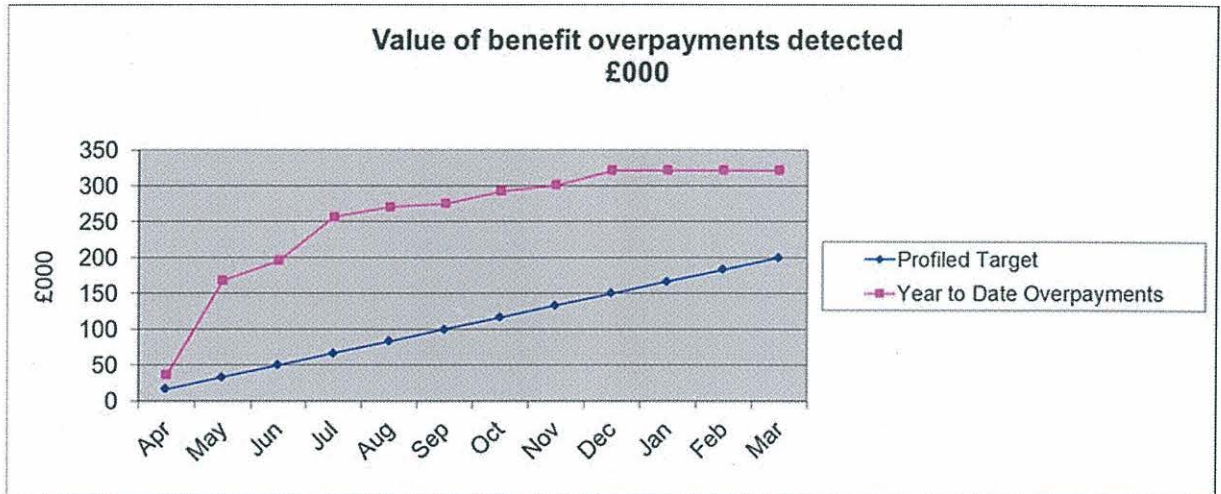
3.5.6 KPI 6 – Net value of Proactive work

The year's gross target for identifying non-benefit overpayments detected (this can be due to either fraud or error) is £80,000 for 2013/14. The gross level of fraud identified to date is £30,000.

	13/14 Target	Q3 Target	Q3 Actual
Gross Non-benefit overpayment	80,000	60,000	30,000
Net Non-benefit overpayment (after costs of investigation deducted)	50,000	37,500	12,700

The outcomes of the proactive drives as highlighted in paragraphs 2.3-2.5 will be shown in this indicator as the year progresses.

3.5.7 KPI 7 – Sanctions Applied

Where evidence indicates an offence has been committed in benefit fraud investigations, the offender can be offered:

A formal caution (a warning, but the offence must be admitted); or

An administrative penalty (which is a 30% fine on top of any overpaid benefit identified); or

The Council will prosecute (for more serious cases).

These are referred to as 'sanctions' and BA has a target of achieving **23 sanctions** for 2013/14. From 1 October 2013 to 31 December 2013 a total of **4** sanctions have been applied, against the Q3 target of 5. Within Q3 2 Administrative Penalties and 2 Prosecutions were applied. In total, 37 investigations were completed in the period 1 October 2013 to 31 December 2013.
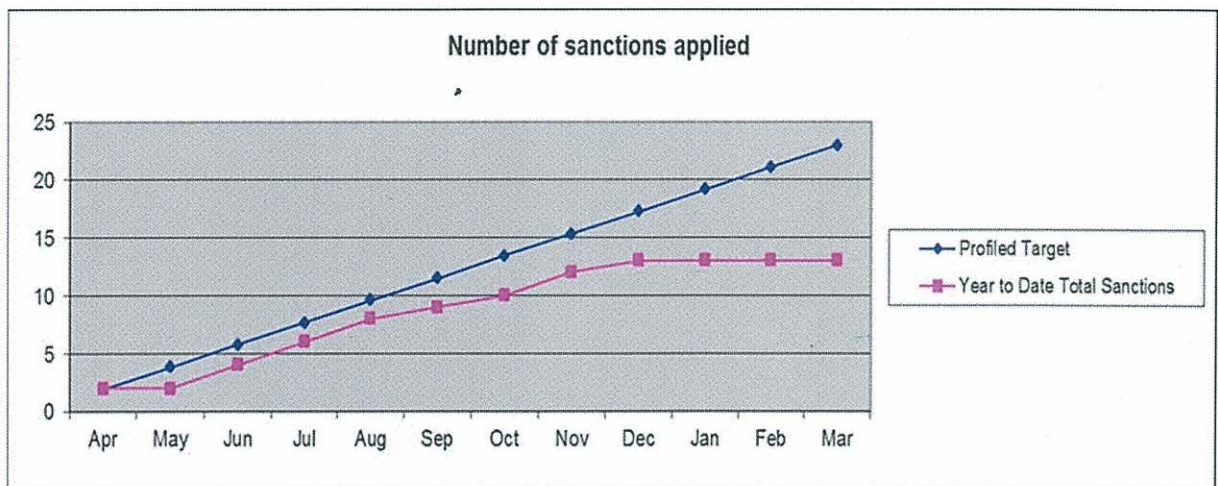
Sanctions Forward Look

- Eleven investigations are currently awaiting prosecution, but they have not yet been heard in court due to factors outside of our control.
- One case is closed awaiting issue of a warrant, which will be reopened one claimant has been arrested.
- Two cases are currently awaiting appeal.

3.6 Additional Business Assurance Work

3.6.1 The Council has secured accreditation to the Public Services Network (PSN) – formerly GCSX, Internal Audit has supported this as part of their role on the Information Governance Group (IGG). The IGG was nominated for the resources team "extra miler" award in recognition of the work that went into achieving PSN compliance in the short timescales avalaible.

3.6.2 Business Assurance has continued throughout this quarter to undertake work for external clients which has generated income for the Council. Total income will be reported at year end.

3.7 Business Assurance Key Developments

3.7.1 The Senior Internal Auditor who was covering the Principal Internal Auditor post has also left. Contingency arrangements are being put in place to cover this vacancy.

4. FORWARD LOOK

4.1 The Governance and Improvement team restructure is underway and should be completed by the 1 April 2014.

4.2 The Annual Governance Statement and Annual Internal Audit Report incorporated Head of Internal Audit Annual Opinion will be presented to the committee in June.

4.3 There are no other matters that the Head of Internal Audit needs to bring to the attention of the Committee.

Julie Holland
Interim Head of Business Assurance and Democratic Services (and Head of Internal Audit)

23 January 2014

DETAILED INTERNAL AUDIT WORK UNDERTAKEN IN 2013/14

Key:
- o **VH** = Very High
- o **H** = High
- o **M** = Medium
- o **L** = Low
- o **NP** = Notable Practice
- o **ToR** = Terms of Reference
- o **BAC** = Business Assurance Contingency (ad-hoc requests for work, etc)

Residual 2012/13 IA Reviews (completed after 31 March 2013)

IA Ref.	IA Review Area	Status as at 14 January 2014	Assurance Level	Priority					PAQ Received?
				VH	H	M	L	NP	
019	Scrutiny Arrangements	Draft report issued 25 June 2013	N/A	-	-	-	-	-	-
024a	Adult Social Care - Personal Budgets	Draft report issued 21 June 2013	N/A	-	-	-	-	-	-
024b	Adult Social Care - Direct Payments	Final report issued 14 November 2013	Reasonable	-	2	1	1	-	-
040	Debtors	Final report 1 July 2013	Reasonable	-	1	6	2	-	Yes
041	Creditors	Final report 9 August 2013	Good	-	-	2	5	-	-
042	Payroll	Final report 19 June 2013	Good	-	-	4	-	-	-
044	Council Tax & NNDR	Final report issued 18 April 2013	Good	-	-	2	6	1	Yes
045	Treasury Management	Final report issued 11 June 2013	Good	-	-	5	-	1	-
054	Capital Accounting	Final report issued 4 July 2013	Good	-	1	2	6	1	-
055	Budgetary Control & Financial Reporting	Final report issued 3 May 2013	Good	-	-	1	2	1	
058	Material Schools	Final report issued 8 April 2013	N/A	-	-	2	-	-	-
059	Corporate Governance	Final report issued 3 June 2013	Reasonable	-	2	8	1	-	
063	Bank Reconciliations	Final report issued 21 May 2013	Good	-	-	-	4	1	Yes
067	Schools Financial Value Standard	Final report issued 12 June 2013	Reasonable	-	2	5	-	-	-

IA Ref.	IA Review Area	Status as at 14 January 2014	Assurance Level	Priority					PAQ Received?
				VH	H	M	L	NP	
068	WISE Replacement Project	Project assurance work completed (ongoing to project implementation)	N/A	-	-	-	-	-	-
BAC 11	Optalis Financial Management	Final report issued 29 May 2013	Limited	-	3	8	1	-	-
BAC 12	Lessons Learnt Response to Major IT Incident Report	Final report issued 16 September 2013	N/A	-	-	-	-	-	-

2013/14 Planned IA Reviews

IA Ref.	IA Review Area	Status as at 14 January 2014	Assurance Level	Priority					PAQ Received?
				VH	H	M	L	NP	
1	Staff Expenses	Final Report issued on 11 November 2013	Reasonable	0	0	8	1	0	Yes
2	Cashiers Consultancy	Completed on 22 August 2013	N/A	-	-	-	-	-	-
3	Integrated Transport Fund	Grant Certified on 11 October 2013	N/A	-	-	-	-	-	-
4	Early Years OTS Visit	Completed on 26 June 2013	N/A	-	-	-	-	-	-
5	St Crispins	Final Report issued on 24 October 2013	-	-	-	-	-	-	Yes
6	Troubled Families Grant	Grant Certified on 29 July 2013	N/A	-	-	-	-	-	-
7	Property	Final Report issued on 10 January 2014	Reasonable	-	2	7	2	-	-
8	Local Children's Safeguarding Board	Cancelled	N/A	-	-	-	-	-	-
9	Optalis Follow up	Completed on 2 July 2013	N/A	-	-	-	-	-	Yes
10	Wiser Reconciliations	Dependent on system go live							
11	Major Project Governance	Draft report prepared							
12	Housing Benefits	Testing underway, in progress							
13	Housing Rents	Final Report issued on 11 October 2013	Reasonable	-	2	4	8	2	-
14	Financial Reporting and Budgetary Control	Audit Scheduled for 10 March 2014							
15	Capital Programme (Accounting)	Fieldwork in progress							
16	Council Tax & NNDR	Audit Scheduled for 8 January 2014							
17	Fixed Asset Register	Cancelled							
18	Material Schools	Draft Report under review							
19	Treasury Management	Draft Report under review							

IA Ref.	IA Review Area	Status as at 14 January 2014	Assurance Level	Priority					PAQ Received?
				VH	H	M	L	NP	
20	VAT	Draft Report under review							
21	BACS	Fieldwork almost complete							
22	Bank Reconciliations	Fieldwork commenced							
23	Cashiers	Audit Scheduled 27 January 2014							
24	Creditors	ToR issued on 18 Dec 2013							
25	Debtors	Audit Scheduled for 6 January 2014							
26	Financial Reporting	Merged with Budgetary Control							
27	Main Accounting	Audit Scheduled for 24 February 2014							
28	Payroll	Q4							
29	School Placements	Q4							
30	Safeguarding the vulnerable (Adults)	Draft Report issued 7 December 2013							
31	Safeguarding the vulnerable (Children)	Fieldwork commenced 6 September 2013, but is currently on hold pending audit resources.							
32	Infrastructure Repairs	Q4							
33	Loss of Confidential Data	Q4							
34	Corporate Manslaughter	Fieldwork commenced on 11 November 2013							
35	Corporate Governance	Q4							
36	Ethical Governance	Draft ToR issued on 22 October							
37	Information Governance	Q4							
38	Effectiveness of BA	Q4							
39	Effectiveness of Audit Committee	Fieldwork commenced on 25 September 2013							
40	Risk Management	Q4							

IA Ref.	IA Review Area	Status as at 14 January 2014	Assurance Level	Priority					PAQ Received?
				VH	H	M	L	NP	
41	Good Governance Survey	Deferred due to restructure							
42	Balanced Scorecard	Q4	N/A	-	-	-	-	-	-
43	Service Planning	Q4	N/A	-	-	-	-	-	-
44	Schools financial controls	Q4							
45, 46, 47	IT audits - Network Security, Data Recovery and Backups	Assurance Memo from PSN compliance will be drafted for IA assurance puruses.							
48	Public Health Services	Information gathering commenced - mid-December 2013							
49	Early Years (1) joint review see (2) total 15 days	Initial Meeting held on 10 Oct 2013							
50	Early Years (2) joint review see (1) total 15 days	Cancelled							
51	Housing Repairs and Adaptations	Information gathering commenced - mid-December 2013							
52	Personal Budgets & Direct Payments for Children's Svcs	Q4							
53	QA People Hub (Outcome Monitor)	Cancelled							
54	Business Continuity Planning	Final Report issued on 10 December 2013	Reasonable	0	0	6	1	0	N/A
78	Pre-Signed Cheques	Memo issued on 25 September 2013	N/A	-	-	-	-	-	-
79	RWP Project	Final Report issued on 25 Sept 2013	N/A	-	-	-	-	-	-
80	WiSER Consultancy	Ongoing	N/A	-	-	-	-	-	-
81	Follow up on 2012/13 Audits	Completed on 23 December 2013	N/A	-	-	-	-	-	-
82	Youth Centres - Financial Controls	Final Memo issued on 25 October 2013							
83	Integrated Transport	Certified Grant - completed in Oct 13	N/A	-	-	-	-	-	

IA Ref.	IA Review Area	Status as at 14 January 2014	Assurance Level	Priority					PAQ Received?
				VH	H	M	L	NP	
84	Optalis Follow up	Final Follow up report issued 20 December 2013	N/A	-	-	-	-	-	-

*Codes 55-77 are assigned to external work. Codes 78 onwards are for responsive work since the plan was finalised.

INTERNAL AUDIT ASSURANCE LEVELS AND DEFINITIONS

In our professional opinion the IA assurance levels and definitions are:

Assurance Level	Definition
Outstanding	There is outstanding management of the key risks to the council objectives. There is significant innovation or high levels of user satisfaction. There are examples of best practice. There is an appropriate control environment with due regard to the Council's risk appetite. There is positive assurance that objectives will be achieved.
Good	There is a good level of assurance over the management of the key risks to the council objectives. The control environment1 is robust with no major weaknesses in design or operation. There is good assurance that objectives will be achieved.
Reasonable	There is a reasonable level of assurance over the management of the key risks to the council objectives. The control environment1 is in need of improvement in either design or operation. There is a misalignment of the level of residual risk to the objectives and the designated risk appetite. There remains a risk that objectives will not be achieved.
Limited	There is a limited level of assurance over the management of the key risks to the council objectives. The control environment1 has significant weaknesses in either design and/or operation. The level of residual risk to the objectives is not aligned to the relevant risk appetite. There is a significant risk that objectives will not be achieved.
No	There is no assurance to be derived from the management of key risks to the council objectives. There is an absence of several key elements of the control environment1 in design and/or operation. There are extensive improvements to be made. There is a substantial variance between the risk appetite2 and the residual risk3 to objectives. There is a high risk that objectives will not be achieved.

1. **Control Environment** - The control environment comprises the systems of governance, risk management and internal control. The key elements of the control environment include:
- establishing and monitoring the achievement of the authority's objectives;
- the facilitation of policy and decision-making;
- ensuring compliance with established policies, procedures, laws and regulations – including how risk management is embedded in the activity of the authority, how leadership is given to the risk management process, and how staff are trained or equipped to manage risk in a way appropriate to their authority and duties;
- ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness as required by the Best Value duty;
- the financial management of the authority and the reporting of financial management; and
- the performance management of the authority and the reporting of performance management.

2. **Risk Appetite** - The amount of risk that the Council is prepared to accept, tolerate, or be exposed to at any point in time.

3. **Residual Risk** - The risk remaining after management takes action to reduce the impact and likelihood of an adverse event, including control activities in responding to a risk.

INTERNAL AUDIT RECOMMENDATION PRIORITY RATINGS AND DEFINITIONS

In our professional opinion the priority ratings and definitions of IA recommendations are:

Priority	Definition
Very High ●	The recommendation relates to a highly significant threat or opportunity that impacts directly on the council's corporate objectives. The action required is to mitigate a serious risk to the council. In particular it has a critical impact on the council's reputation, statutory compliance, finances or strategic priorities. The risk requires immediate senior management attention.
High ●	The recommendation relates to a significant threat or opportunity that impacts the council's corporate objectives. The action required is to mitigate a substantial risk to the council. In particular it has an impact on the council's reputation, statutory compliance, finances or key corporate objectives. The risk requires senior management attention.
Medium ●	The recommendation relates to a potentially significant threat or opportunity that impacts on either corporate or operational objectives. The action required is to mitigate a moderate level of risk to the council. In particular an adverse impact on the department's reputation, adherence to council policy, the departmental budget or service plan objectives. The risk requires management attention.
Low ●	The recommendation relates to a minor threat or opportunity that impacts on operational objectives. The action required is to mitigate a minor risk to the council as a whole. This may be compliance with best practice or minimal impacts on the service's reputation, adherence to local procedures, local budget or Section objectives. The risk maybe tolerable in the medium to short term.
Notable Practice ●	The activity reflects current best management practice or is an innovative response to the management of risk within the council. The practice should be shared with others.