

**INTERNAL AUDIT ANNUAL REPORT AND ANNUAL
STATEMENT OF ASSURANCE 2021-22**

Oxford City Council

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SUMMARY OF 2021/22 WORK

Internal Audit 2021/22

This report details the work undertaken by internal audit for Oxford City Council (the Council) provides an overview of the effectiveness of the controls in place for the full year. The following reports have been issued for this financial year:

- Audit 1. Private Rented Sector
- Audit 2. Environment
- Audit 3. Data Analytics
- Audit 4. Project Management
- Audit 5. Accounts Payable
- Audit 6. Business Continuity and Disaster Recovery
- Audit 7. General Ledger
- Audit 8. Insurance

We have detailed the opinions of each report and key findings on pages 5-13. Our internal audit work for the 12-month period from 1 April 2021 to 31 March 2022 was carried out in accordance with the internal audit plan approved by management and the Audit Committee. The plan was based upon discussions held with management and was constructed in such a way as to gain a level of assurance on the main financial and management systems reviewed. There were no restrictions placed upon the scope of our audit and our work complied with Public Sector Internal Audit Standards.

Head of Internal Audit Opinion

The role of internal audit is to provide an opinion to the Council through the Audit and Governance Committee (A&G), on the adequacy and effectiveness of the internal control system to ensure the achievement of the organisation's objectives in the areas reviewed. The annual report from internal audit provides an overall opinion on the adequacy and effectiveness of the organisation's risk management, control and governance processes, within the scope of work undertaken by our firm as outsourced providers of the internal audit service. It also summarises the activities of internal audit for the period. The basis for forming my opinion is as follows:

Overall, we are able to provide **Moderate Assurance** that there is a sound system of internal control, designed to meet the Council's objectives and that controls are being applied consistently. In forming our view we have taken into account that:

- The Pandemic has caused a £23m hit to the Council's finances between 2020 and 2026, which the authority plans to address by using half of its reserves (£11m), alongside making savings and finding additional income. However, increased service demand and soaring inflation will put further pressure on resources with the council forecasting the need to save £5.5m from its annual budget by 2026-27 - 20% of its £27m yearly spend.
- Our last follow up noted that all 2020-21 recommendations have been completed. However, there are some outstanding recommendations remaining for 2021-22; Private

Rented Sector, Environment, Business Continuity and Disaster Recovery and Insurance. We have continued to maintain a refined escalation process for follow up whereby all non-responses and recommendations with several revised due dates were reported to the Council's head of Finance and the Corresponding Heads of Services. This has improved the follow up process and implementation of recommendations

- 7/8 of our reports this year which contained an opinion, have provided either Substantial or Moderate assurance, including one with substantial assurance on both design and effectiveness (Insurance), five with moderate assurance on both design and effectiveness (Environment, Data Analytics, Project Management, Accounts Payable and Business Continuity & Disaster Recovery) and one (General Ledger) with a substantial/moderate opinion. One review Private Rented Sector resulted in a limited assurance on Operational effectiveness. The charts on pages 16 and 17 show a large increase in recommendations but we have carried out more reviews this year and have been directed towards problem areas.

REVIEW OF 2021/22 WORK

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Report Issued	Recommendations and significance			Overall Report Conclusions (see Appendix 1)		Summary of Key Findings / Recommendations
	H	M	L	Design	Operational Effectiveness	
Audit 1. Private Rented Sector	4	2	-	Moderate	Limited	<p>This review was requested by Oxford City Council's (the Council) Counter Fraud Team. There have been four investigations since 2015 (2015 whistleblowing and 2016-2021 grievance) undertaken within the Private Rented Sector Team with the most recent resulting in employee dismissal. Each fraud investigation concluded that there was a lack of audit trails and management controls within the PRS systems, and therefore an audit review within this area has been undertaken.</p> <p><u>Conclusion</u></p> <p>Whilst we have evidenced some areas of good practice, we have noted several areas where a strengthening of controls is required.</p> <p>Annual declarations were not completed by landlords regularly to confirm they remain fit and proper. This can impact on the safety of tenants and have a negative financial impact on the Council if the landlord is not compliant with the terms and conditions. In addition, there is not a process currently in place to communicate with wider teams such as HMO enforcement to ensure landlords are compliant with terms and conditions throughout the duration of their contract with the Council. The incentive schemes such as finders' fees require rigour and detailed audit trails to evidence negotiations undertaken prior to payments made. There was also no regular payment monitoring of both finder's fee payment to measure the success of the incentive.</p> <p><u>Findings/Recommendations</u></p> <ul style="list-style-type: none"> Information was not recorded/retained to confirm whether landlords had any unspent convictions or whether landlords had completed a self-declaration form. Therefore, annual Self declarations should be completed by landlords on the PRS register Tenancy agreements to be signed by both Landlords and tenants and filed properly and reasons for making Rent in advance payment should

			<p>be established and deemed as satisfactory before payments are made</p> <ul style="list-style-type: none"> We reviewed a sample of five landlord incentives and noted that the fees paid to landlords on two occasions were not in line with policy. Therefore, there should be clear reasons on file for payment of landlord incentives and monthly reports to monitor the volume and value of incentives paid to landlords Several policies were outdated, not regularly reviewed and a duplication of criteria throughout these documents and therefore an update on policies is required There was a lack of record keeping of bank detail changes by the PRS Team. Therefore, a tracker of all bank detail change requests should be made, and changes should be approved before changes are made by the Finance team.
<p>Audit 2. Environment</p> <p>1 7 2</p>	<p>Moderate</p>	<p>Moderate</p>	<p>We assessed the Council's progress against its net zero carbon ambitions and examine the governance processes in place to achieve this. It was not within the scope of this audit to review ZCOP and other partnership arrangements, or to verify the data quality on emissions reporting.</p> <p><u>Conclusion</u></p> <ul style="list-style-type: none"> The Council has set itself ambitious environmental targets and holds itself to extremely high environmental standards. This audit found that these standards was not always met in practice. However, it is important to place the Council in context. Interviews with officers demonstrated sophisticated knowledge around environmental concerns, surpassing that of some other organisations we audit, and significant amounts of work is being undertaken across the Council to meet its targets. The scale of the projects undertaken by the Council and its willingness to take bold and decisive action on this issue, the most pressing of our time, particularly in the context of extremely challenging financial considerations for all local government, is impressive. <p>To progress to a substantial opinion report, and to implement the actions the Council itself wishes to, substantial funding is required. This unfortunately is partially dependent upon central government decision making. Notwithstanding this, there are also some practical</p>

					<p>considerations in these findings which, if implemented, would quickly lead to a substantial opinion report.</p> <p><u>Findings/Recommendations</u></p> <ul style="list-style-type: none"> • Progress to document further costing detail for the CMP should be made. It would be useful to compile these into one document to try and get an overview of what the realistic costs (money and time), and future benefits of each of the actions are. From our benchmarking we noted that the City of Edinburgh Council has taken a useful approach that the Council may wish to emulate. It codes its actions (resource secured; costs known; costs unknown) and includes a full list of potential funding streams. It also indicates the level of staff time as a resource • There are governance issues surrounding the SG which are impeding it in delivering on its purpose. Therefore, the SG should define its place within corporate governance structure of the Council as a whole, particularly in relation to the Development Board, Housing Supply Programme Board, ODG and corporate management team (CMT) • The embedding of the net zero carbon agenda in decision-making processes could be strengthened in several areas and the use and timeliness of Environmental Impact Assessments (EIAs) in Cabinet reporting should be clarified • Concerns within environmental staff positions around over-reliance on individual staff, potential disparities in staff gradings and confusion over the funding of some positions, which may all negatively impact on the morale of staff essential to meeting the zero carbon agenda • The role of IT was highlighted in relation to two risk areas reviewed (biodiversity and retrofitting). The lack of adequate systems and accompanying IT professionals able to support such systems was raised as a key potential risk in being able to meet environmental ambitions. 	
Audit 3. Data Analytics	-	2	1	Moderate	Moderate	<p><u>Conclusion</u></p> <p>Overall we provided an opinion of “Moderate” assurance for both control design and operational effectiveness.</p> <p><u>Accounts Payable</u></p>

			<p>Our review identified some exceptions in the accounts payable datasets provided such as POs approved over SoD limits, and retrospective POs raised. This has led us to two medium and one low finding. We have also raised one observation on duplicate supplier accounts that currently sit within Agresso. This was raised in the prior year's audit review and will be removed as part of the Council's cleansing exercise.</p> <p><u>Accounts Receivables and Payroll</u></p> <p>Our review identified no significant findings but we have raised two observations in order to raise awareness of the housekeeping required relating to debtor accounts. Management has agreed with the audit recommendation and confirmed that the department is already working towards data cleansing. In addition, our review identified no significant findings for Payroll.</p>
Audit 4. Project Management	- 3 -	Moderate	<p>Moderate</p> <p>Following up on our work undertaken in 2018-19 we reviewed the methodology and practice in the Council to manage Capital Development projects, operational projects, and Rolling Programmes. We reviewed particular projects in detail and assessed whether the Council's approach was adhered to. Furthermore, we assessed where projects have failed to meet objectives, to consider the root-cause of this with the aim of improving future project management arrangements. We also reviewed the financial monitoring arrangements within the PMO office/function.</p> <p><u>Conclusion</u></p> <p>The Council has a Capital Strategy which outlines effective project management processes. However, we have noted that Smartsheets are not being completed adequately, there are also inconsistencies in the risk management process across projects. In addition, the Council did not have an established process to monitor their lessons learnt.</p> <p><u>Findings/Recommendations</u></p> <ul style="list-style-type: none"> The testing identified blank entries in the October, November, and December 2021 Capital Monitoring reports, due to Projects Managers not adequately completing all sections of the monthly Smartsheets.

						<p>Officers are reminded to complete these to a detailed standard</p> <ul style="list-style-type: none"> To formalise and better promote a lessons learnt process, which involves the PMO Team to report the lessons learnt log to the Development Review Group on a quarterly basis. The PMO Team should consolidate the lessons learnt into a report and distribute to Project Managers for wider learning. The Development Review Group should monitor the lessons learnt and ensure that actions are taken to mitigate the issues from occurring in the future The Council's Capital Strategy should be amended to include a risk scoring matrix to ensure that Project Boards understand how to score the risks.
Audit 5. Accounts Payable	-	4	2	Moderate	Moderate	<p>We assessed whether the Council has adequate controls in place for Accounts Payable transactions and whether the Council is conducting sufficient due diligence prior to the onboarding of suppliers, paying suppliers accurately and in a timely manner. We also undertook sample testing on procurement card transactions and assessed whether receipts were in place to support expenditure prior to approval.</p> <p><u>Conclusion</u></p> <p>Overall, the Council has a moderate design of controls in place for managing Accounts Payables. There are adequate controls in place to ensure that accurate and complete payments are made to suppliers. However, we noted a number of areas where the controls could be strengthened, particularly the separation of duties between amending supplier details and ensuring relevant delegation limits are assigned within QL.</p> <p><u>Findings/Recommendations</u></p> <ul style="list-style-type: none"> To attach supporting documents for amendments to supplier details to maintain for all supplier amendments To ensure transactions are approved in line with the Scheme of Delegation and to remind all relevant staff of their approval limits to ensure approvals are actioned in line with the scheme of delegations. A process should be implemented within the system to limit individuals from approving requisitions beyond their delegated limit The Accounts Team should ensure that GRN's are actioned correctly on

					<p>the Key2 system to achieve consistency and attain accurate transactions. Staff members should be reminded that GRN work-flow tasks are mandatory and where it is persistently not completed, this would be escalated with Line Managers</p> <ul style="list-style-type: none"> To send monthly reminder emails to cardholders reminding them to attach receipts against the transactions on the BCOS system. This should be made as a mandatory action within BCOS. 	
Audit 6. Business Continuity and Disaster Recovery	-	2	2	Moderate	Moderate	<p>We assessed the Council's arrangements in place for the overall Business Continuity and Disaster Recovery Plan. This included how the corporate plan interacts with local service plans and whether there was adequate oversight that these all remain up-to-date. As part of this we looked at the plans of three service areas (ICT, the Development Directorate and Finance Directorate) to determine how these interact with the corporate plan. We also looked at how relevant personnel are trained to enact business continuity and how testing of the plan is conducted.</p> <p><u>Conclusion</u></p> <p>Overall, the Council is in a good position with regards to Business Continuity and Disaster Recovery. Risks relating to business continuity are contained within the corporate risk register and appropriate mitigations are in place. Additionally, we found that the local plans (including the plan from Oxford Direct Services) interact with the corporate plan and are reviewed concurrently on an annual basis. Furthermore, a test of the business continuity plan has been conducted in February 2021 in which the plan was shown to work effectively, and lessons learned identified and discussed with service heads.</p> <p>Whilst the elements of disaster recovery are contained over documents such as the ICT business continuity plan, we found that there is currently no unified document in place for disaster recovery which outlines the recovery process, including a single agreed priority order for the recovery of business systems. Moreover, no action has been taken on the desktop review for local business continuity plans which occurred in March 2021. In addition, the corporate plan does not contain a commitment to test the plan on a regular basis despite a test of the plan having been conducted in 2021.</p> <p>Lastly, a disaster recovery test of one or more key business systems has not yet taken place although this is currently subject to confirmation with SCC to</p>

			<p>arrange a test of the plan. Testing disaster recovery is important because it covers how business will return to normal following an incident.</p> <p><u>Findings/Recommendations</u></p> <ul style="list-style-type: none"> • Management should look to implement a unified Disaster Recovery Plan that is aligned to and supports the Council's priorities and includes, but not limited to: <ul style="list-style-type: none"> - The recovery procedures for the Council's IT infrastructure, hardware and systems - The procedures for invoking the Council's IT Disaster Recovery plan - The contact details for all key members of IT, the Council, Oxford direct Services and Third Party suppliers (to include in the DR plan as well) - The location of alternative sites. • Management should look to arrange a full end-to-end disaster recovery test on one or more business systems with SCC on a regular (annual) basis, in order to ensure that arrangements are feasible and can be effectively relied upon. This should be clearly documented within the disaster recovery plan.
<p>Audit 7. General Ledger - 5 1</p>	<p>Substantial</p>	<p>Moderate</p>	<p>We reviewed the general ledger controls from access controls, suspense accounts, journals, chart of accounts and upgrades. We focussed particularly on the new ledgers for companies set up and ensure income/expenditure is being coded to the right areas.</p> <p><u>Conclusion</u></p> <p>Overall, the Council and its trading companies (ODS/ODST and OCHL) has good controls in place for the General Ledger systems. The Council's Constitution provides a comprehensive framework for the General Ledger and Officer responsibilities in the Finance Team are strongly articulated within the procedure notes. However, as the QL Housing system is in a status of 'recovery' interfacing with Agresso is not being undertaken for a majority of the QL interfaces resulting in unbilled repairs to external customers and the Council.</p> <p><u>Findings/Recommendations</u></p> <ul style="list-style-type: none"> • To continue to actively work on the testing and invoice interfaces and to plan for the testing on sales order processing. The Council should re-

						<p>automate supplier payment interfaces as part of the QL recovery process</p> <ul style="list-style-type: none"> • Officers should be reminded of the correct procedure for journal processing There should be a schedule generated for all procedure notes which details their review date, the Officer responsible for updating procedure notes and the date they are due to be completed • A reconciliation schedule should be created to monitor the reconciliations due to be performed. It should include the date and the responsible officer it should be completed by.
Audit 8. Insurance	-	1	1	Substantial	Substantial	<p>We assessed the processes in place for managing its IT assets in accordance with its strategic objectives and that the controls are consistently applied. Particular focus was applied to the management and tracking of mobile devices such as laptops and iPads/tablets.</p> <p><u>Conclusion</u></p> <p>Overall, the Council has demonstrated that it has robust policies and procedures in place in relation to Insurance cover and handling claims, ensuring continuous compliance with the Insurance Act 2015.</p> <p><u>Findings/ Recommendations</u></p> <ul style="list-style-type: none"> • To create an insurance risk strategy which outlines the following areas: <ul style="list-style-type: none"> - Council's Insurance arrangements - The Council's approach to insurance risk appetite and risk tolerance - The Council's approach to risk modelling (including how the Council calculates and maintains its provisions and insurance reserve) - The Council's recharge policy for insurance premiums (including its trading companies) - Insurance claims handling process - Insurance Governance Arrangements. • We identified that risk assessments for property fire were last undertaken in September 2019. The Council should work with Zurich to advise on potential risk assessments to be undertaken within 2022.

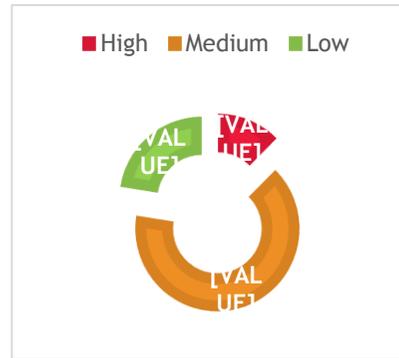
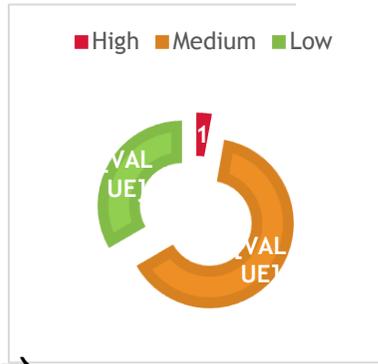
SUMMARY OF FINDINGS

RECOMMENDATIONS AND ASSURANCE DASHBOARD

Recommendations

2019 -20

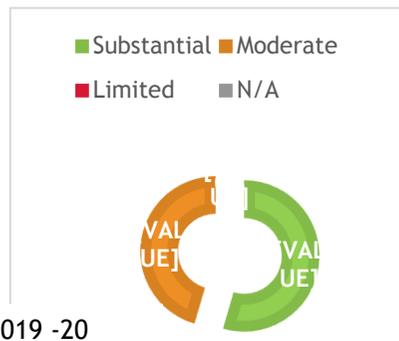
2021-22



In 2021-22, there were a total of 40 recommendations issued; Five High, 26 Medium and 9 Low recommendations. In comparison, in 2020-21 there were a total of 27 recommendations issued; 13 Medium and 14 Low recommendations. There has been an increase of 48% of recommendations since 2020-21. The pandemic led us to undertaking fewer reviews in 2020-21 (seven reviews). In addition, the Council is in a state of recovery from the pandemic.

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Control Design



RECOMMENDATIONS AND ASSURANCE DASHBOARD

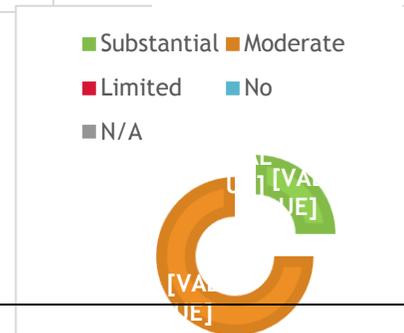
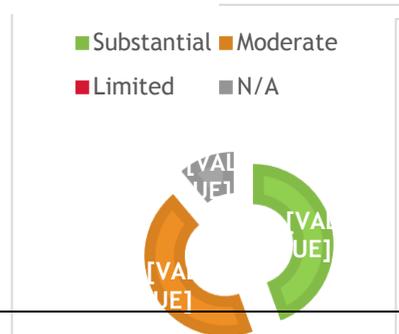
In 2021 - 22 there were two Substantial and Six Moderate control design opinions. In comparison to 2020 - 21 there were four substantial and four moderate control design opinions issued. The Council continue to point us to high-risk/ new areas of focus eg Environment and Private Rented Sector however, good control designs are in place.

Operational Effectiveness

2019 -20

2021-22

2020-21



In 2021-22 there was one Substantial, six Moderate and one limited design effectiveness opinion issued. In comparison to 2020 - 21 there was three Substantial and eight Moderate opinions issued. Although the Council has become better at applying policies further work is required in areas such as the private rented sector to promote wider learning across the Council consistently.

ADDED VALUE



USE OF SPECIALISTS

We utilised a specialist to undertake the Data Analytics Reviews



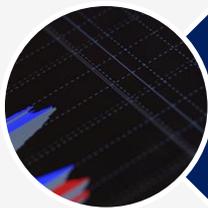
RESPONSIVENESS

We agreed to undertake carry forward audit reviews such as Cyber Security, Community Strategy and Enforcement restructure. In addition, we worked with the Council's Fraud team to undertake the Private Rented Sector audit review. We continue to have regular monthly updates with the Head of Finance to discuss the progress of the audit plan.



BENCHMARKING AND BEST PRACTICE

Sector updates were provided during the year and presented in reports. We provided best practice in the Environment Report



INNOVATION

All recommendations that were not addressed and had several revised due dates were reported as overdue and presented quarterly to the Council's Head of Finance.

KEY THEMES



PEOPLE

The Council present a good attitude towards internal audit and welcome audit reviews.



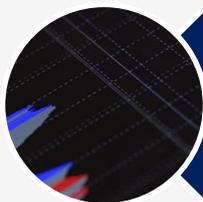
SYSTEMS & PROCESSES

Overall the systems and processes enable the Council to complete the daily activities and extract relevant information. However, effective work around processes are required to ensure the relevant financial data can be extracted from systems such as QL Areon.



POLICIES & PROCEDURES

The policies and procedures for a majority of the audit reviews were applied consistently; However, further work is required on policies for Private Rented Sector.



GOVERNANCE & FOLLOW UP

All recommendations that were not addressed and had several revised due dates were presented to the Audit Committee on a quarterly basis. This provided transparency to executives and also increased accountability. Heads of services were able to escalate or address responses when responsible officers did not respond or implement recommendations in a timely manner.

BACKGROUND TO ANNUAL OPINION

Introduction

Our role as internal auditors to Oxford City Council is to provide an opinion to the Council, through the Audit and Governance Committee (A&G), on the adequacy and effectiveness of the internal control system to ensure the achievement of the organisation's objectives in the areas reviewed. Our approach, as set out in the firm's Internal Audit Manual, is to help the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Our internal audit work for the 12 month period from 1 April 2021 to 31 March 2022 was carried out in accordance with the internal audit plan approved by management and the Audit Committee, adjusted during the year for any emerging risk issues. The plan was based upon discussions held with management and was constructed in such a way as to gain a level of assurance on the main financial and management systems reviewed. There were no restrictions placed upon the scope of our audit and our work complied with Public Sector Internal Audit Standards.

The annual report from internal audit provides an overall opinion on the adequacy and effectiveness of the organisation's risk management, control and governance processes, within the scope of work undertaken by our firm as outsourced providers of the internal audit service. It also summarises the activities of internal audit for the period.

Scope and Approach

Audit Approach

We have reviewed the control policies and procedures employed by Oxford City Council to manage risks in business areas identified by management set out in the 2020-21 Internal Audit Annual Plan approved by the Audit Committee. This report is made solely in relation to those business areas and risks reviewed in the year and does not relate to any of the other operations of the organisation. Our approach complies with best professional practice, in particular, Public Sector Internal Audit Standards, the Chartered Institute of Internal Auditors' Position Statement on Risk Based Internal Auditing.

We discharge our role, as detailed within the audit planning documents agreed with Oxford City Council management for each review, by:

- Considering the risks that have been identified by management as being associated with the processes under review
- Reviewing the written policies and procedures and holding discussions with management to identify process controls
- Evaluating the risk management activities and controls established by management to address the risks it is seeking to manage
- Performing walkthrough tests to determine whether the expected risk management activities and controls are in place
- Performing compliance tests (where appropriate) to determine that the risk management activities and controls have operated as expected during the period.

The opinion provided on page 3 of this report is based on historical information and the projection of any information or conclusions contained in our opinion to any future periods is subject to the risk that changes may alter its validity.

Reporting Mechanisms and Practices

Our initial draft reports are sent to the key officer responsible for the area under review in order to gather management responses. In every instance there is an opportunity to discuss the draft report in detail. Therefore, any issues or concerns can be discussed with management before finalisation of the reports.

Our method of operating with the Audit Committee is to agree reports with management and then present and discuss the matters arising at the Audit Committee meetings.

Management actions on our recommendations

The Council have a good approach whereby reports go through Executives so there is collective approval. In some instances reports have gone through sub-committees such as Quality and Safety to ensure good buy-in has been achieved.

Recommendations follow-up

Implementation of recommendations is a key determinant of our annual opinion. If recommendations are not implemented in a timely manner then weaknesses in control and governance frameworks will remain in place. Furthermore, an unwillingness or inability to implement recommendations reflects poorly on management's commitment to the maintenance of a robust control environment.

Good progress has been made on recommendations and those followed up during the year have broadly been engaged with well. There were no overdue recommendations for 2019-20 as all recommendations were implemented. All 2020-21 recommendations are due to be reviewed as part of the follow up process. Completion of recommendations is broadly good with limited concerns at this stage.

Relationship with external audit

All our final reports are available to the external auditors through the Audit Committee papers and are available on request. Our files are also available to external audit should they wish to review working papers to place reliance on the work of internal audit.

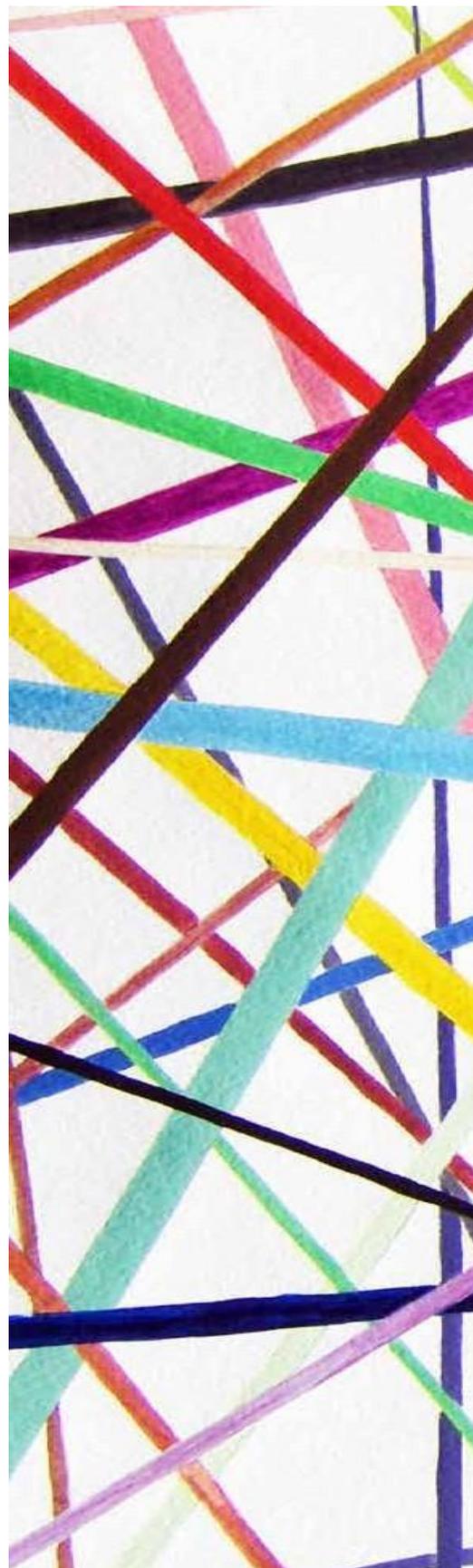
Report by BDO LLP to Oxford City Council

As the internal auditors of Oxford City Council we are required to provide the Audit Committee, and the Director with an opinion on the adequacy and effectiveness of risk management, governance and internal control processes, as well as arrangements to promote value for money.

In giving our opinion it should be noted that assurance can never be absolute. The internal audit service provides Oxford City Council with **Moderate** assurance that there are no major weaknesses in the internal control system for the areas reviewed in 2021-22. Therefore, the statement of assurance is not a guarantee that all aspects of the internal control system are adequate and effective. The statement of assurance should confirm that, based on the evidence of the audits conducted, there are no signs of material weaknesses in the framework of control.

In assessing the level of assurance to be given, we have taken into account:

- All internal audits undertaken by BDO LLP during 2021-22
- Any follow-up action taken in respect of audits from previous periods for these audit areas
- Whether any significant recommendations have not been accepted by management and the consequent risks
- The effects of any significant changes in the organisation's objectives or systems
- Matters arising from previous internal audit reports to Oxford City Council
- Any limitations which may have been placed on the scope of internal audit - no restrictions were placed on our work.



KEY PERFORMANCE INDICATORS

Quality Assurance	KPI	RAG Rating
Quality of work	<p>Feedback on particular reviews around Data Analytics, Private Rented Sector, Insurance and Environment have been positive in discussions with Executives and auditees. As the Council is recovering from the Pandemic, we will look to start undertaking work on site for the 2022-23 plan where required. In June 2021 an External Quality Assessment by the Institute of Internal Auditors reported that BDO LLP's Public Sector Internal Audit Team 'generally conforms' with the International Professional Practices Framework (IPPF) and the Public Sector Internal Audit Standards (PSIAS).</p> <p>This is the highest of the three ratings categories.</p>	
Responsiveness of the service	We have responded to deadlines and targets well. We have continued to be flexible and have reviewed the Audit Plan mid-way through the year to accommodate for any changes required	
Completion of audit plan	We have completed the 2021-22 Internal Audit Plan.	
Follow-up of recommendations	We have followed a clearer and more proactive process which has been received positively by the Audit Committee. In addition, we regularly escalate all non - responses and recommendations with several revised due dates to the Council's Head of Finance and Heads of Services.	



APPENDIX I

ANNUAL OPINION DEFINITION	
Substantial - Fully meets expectations	Our audit work provides assurance that the arrangements should deliver the objectives and risk management aims of the organisation in the areas under review. There is only a small risk of failure or non-compliance.
Moderate - Significantly meets expectations	Our audit work provides assurance that the arrangements should deliver the objectives and risk management aims of the organisation in the areas under review. There is some risk of failure or non-compliance.
Limited - Partly meets expectations	Our audit work provides assurance that the arrangements will deliver only some of the key objectives and risk management aims of the organisation in the areas under review. There is a significant risk of failure or non-compliance.
No - Does not meet expectations	Our audit work provides little assurance. The arrangements will not deliver the key objectives and risk management aims of the organisation in the areas under review. There is an almost certain risk of failure or non-compliance.

REPORT OPINION SIGNIFICANCE DEFINITION				
Level of Assurance	Design Opinion	Findings	Effectiveness Opinion	Findings
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 noncompliance 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 DEFINITION	
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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