

# Maldon District Council

INTERNAL AUDIT ANNUAL REPORT 2017/18

June 2018



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# EXECUTIVE SUMMARY

## Internal Audit 2017-18

This report details the work undertaken by internal audit for Maldon District Council and provides an overview of the effectiveness of the controls in place for 2017-18.

The following reports have been issued for the period 1 April 2017 to 31 March 2018:

Main Financial Systems	Partnership Working
Budget Setting (High Level Review)	Elections Improvement Plan (High level Review)
Economic Development / Business Rates growth	Information Management (Advisory review)
Attendance Management	Disaster Recovery and Business Continuity
Business Resilience	
Contract Procurement Management and Purchasing	

We have detailed the opinions of each report and key findings on page 4 to 10.

Our internal audit work for the period from 1 April 2017 to 31 March 2018 was carried out in accordance with the internal audit plan approved by management and the Audit Committee.

The whole plan has been completed with the agreement of the Audit Committee, with the exception of the Policy Review, that was deferred at the request of management to resource the Fraud Risk Assessment, that is still ongoing at the time of drafting this report.

## Head of Internal Audit Opinion

The role of internal audit is to provide an opinion to the Council, through the Audit Committee (AC), 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.

### Opinion

The basis for forming my opinion is as follows:

- An assessment of the design and operation of the underpinning risk management arrangements and supporting processes
- An assessment of the range of individual opinions arising from risk based audit assignments, contained within the internal audit risk based plan, that have been reported throughout the period. This assessment has taken account of the relative materiality of these areas and management's progress in respect of addressing control weaknesses
- Any reliance that is being placed upon third party assurances.

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 majority of audits provided moderate assurance opinions for the period 1 April 2017 to 31 March 2018
- The Council has achieved their budget for 2017-18 and has plans in place to ensure that the budget gap is addressed in their budget plans. The Council has recognised the ongoing reduction of government funding in their future financial plans
- Some areas of weakness have been identified through our reviews, including opportunities for improvement in delivery of the Elections Improvement Plan (which was the only report to receive limited assurance), Economic Development and Business Rates Growth, Information Management, Contracts Procurement Management and Purchasing, Business Resilience and Business Continuity and Disaster Recovery. The Council is working to address the issues identified.

# SUMMARY OF 2017-18 WORK

Reports Issued	Recommendations and significance			Overall Report Conclusions (see Appendix I)		Summary of Key Findings / Recommendations
	H	M	L	Design	Operational Effectiveness	
Financial Systems	0	1	2	Moderate	Moderate	<p>Across the review a number of good practice points were identified. These points demonstrate the commitment to strong internal controls. Specifically:</p> <ul style="list-style-type: none"> <li>Each department within the Council has a specific accountant allocated to it, with regular meetings between them ensuring correct financial practice is operated across the Council</li> <li>Communication across the Council is good, with multiple pathways within the Council supporting this, both in person through regular meetings or making use of appropriate technology, such as the capital project budget tracker</li> <li>A wide variety of reconciliations are performed between the feeder systems and the general ledger. These are performed regularly, with regularity dictated by the importance of the system, demonstrating appropriate targeting of resources being made by the Council to ensure accuracy is maintained to the best possible degree.</li> </ul> <p>However, certain areas of improvement have been identified. In summary these are:</p> <ul style="list-style-type: none"> <li>The system access controller has the opportunity to amend their own access controls, with no additional confirmation required</li> <li>There is no formal timetable for the review and clearing of the suspense account</li> <li>Journals are not subject to sufficient scrutiny by delegated personnel, with inadequate signatory authorisation provided for 3 of 20 journals tested.</li> </ul>
Budget Setting (High Level Review)		1	0	Substantial	Moderate	<p>Across the review a number of good practice points were identified. These demonstrate the commitment to strong internal controls. Specifically:</p> <ul style="list-style-type: none"> <li>Budget for each cost centre has been signed off by the budget holder, demonstrating ownership and accountability</li> <li>Wider stakeholder involvement within the Budget setting process such as the Car Parking Charges Review Task and Finish Working Group and presentation for the local Chamber of Commerce</li> <li>Budgets are reviewed by the Corporate Leadership Team and growth bids (areas with specific need to increase expenditure) are reviewed and justified by the management prior to submission to Council for approval.</li> </ul> <p>One area of improvement was identified:</p> <ul style="list-style-type: none"> <li>A rolled forward figure was used in setting the budget for a specific cost centre, despite positive variances occurring in both 2015/16 and 2016/17 financial years.</li> </ul>

# SUMMARY OF 2017-18 WORK

Reports Issued	Recommendations and significance			Overall Report Conclusions (see Appendix I)		Summary of Key Findings / Recommendations
	H	M	L	Design	Operational Effectiveness	
Economic Development / Business Rates growth	0	4	0	Moderate	Moderate	<p>From our review, we noted the following areas of good practice:</p> <ul style="list-style-type: none"> <li>• The Council has clarified the key partners it engages with to promote Economic Development within the District and has identified actions to enhance promotion of the District's offer</li> <li>• The Council works with local businesses to identify projects for funding and supports a Chamber of Commerce within Burnham on Crouch (a similar model is expected to be developed for Maldon)</li> <li>• A transformation project has been created to ensure appropriate focus on economic development within the District</li> </ul> <p>However, we also noted the following areas of improvement:</p> <ul style="list-style-type: none"> <li>• There is scope to enhance the promotion of the Business Essex, Southend and Thurrock (BEST) Growth Hub via the Council's website</li> <li>• There is scope to enhance the promotion of Invest Essex via the Council's website, to engage with Invest Essex to develop their property search facility and to ensure the site is kept up to date with development opportunities within the District. The Council should also clarify the District's Offer to ensure this is effectively promoted to potential business investors</li> <li>• There is scope to improve the links to funding advice and opportunities on the Council's website and enhance promotion of the District</li> <li>• The Council should conduct Brexit Impact Scenario Planning to assess the anticipated impact of Brexit on economic growth in the District.</li> </ul>

# SUMMARY OF 2017-18 WORK

Reports Issued	Recommendations and significance			Overall Report Conclusions (see Appendix I)		Summary of Key Findings / Recommendations
	H	M	L	Design	Operational Effectiveness	
Attendance Management	0	1	1	Substantial	Moderate	<p>Areas of good practice identified were:</p> <ul style="list-style-type: none"> <li>Regular in-depth reporting of sickness absence levels to both the Finance and Corporate Services Committee and the Corporate Leadership Team</li> <li>An up to date Managing Attendance Policy with associated Toolkits is in place to ensure consistency and awareness across the Council with roles and responsibilities clearly defined, appropriate thresholds for formal meetings recorded and appropriate and relevant guidance provided to staff</li> <li>Regular monitoring of required controls as per the Policy with HR having a good awareness of outstanding items and using this to chase staff to ensure completion of forms and recording meetings</li> <li>There are a number of wellbeing initiatives within the Council including recently winning an award for the Active Essex Workplace of the Year.</li> </ul> <p>However, we identified the following areas for improvement:</p> <ul style="list-style-type: none"> <li>The levels of compliance with the Managing Attendance Policy varies across the Council with services taking too long to complete self certification, Return To Work meetings and formal meeting</li> <li>The Council is not yet signed up to the Workplace Wellbeing Charter which acts as a form of best practice.</li> </ul>
Contract Procurement Management and Purchasing	0	3	3	Moderate	Moderate	<p>From our review, we noted the following areas of good practice, where the Council:</p> <ul style="list-style-type: none"> <li>has adopted a No PO No Pay protocol to ensure purchase orders are raised for expenditure</li> <li>works with the Essex Procurement Hub gaining access to dedicated expertise to support procurement activity</li> <li>has recently reviewed Financial Regulations and Contract Procedure Rules</li> <li>has provided training to Contract Managers in project management, to guide staff in procurement and contract related activity.</li> </ul> <p>However, we also noted the following areas of improvement:</p> <ul style="list-style-type: none"> <li>Purchasing through one supplier exceeded thresholds for, but did not follow, required advertising or tendering requirements</li> <li>The Contracts Register was not up to date and did not reflect all Council Contracts</li> <li>Officers are using Purchase Cards for transactions that are of greater value than that expected by the Cardholder Instruction Manual.</li> </ul>

# SUMMARY OF 2017-18 WORK

Reports Issued	Recommendations and significance			Overall Report Conclusions (see Appendix I)		Summary of Key Findings / Recommendations
	H	M	L	Design	Operational Effectiveness	
Business Resilience	0	4	2	Moderate	Moderate	<p>Across the review a number of good practice points were identified. These points demonstrate the commitment to strong internal controls. Specifically:</p> <ul style="list-style-type: none"> <li>• A Business Continuity Policy is in place that sufficiently addresses business continuity requirements across the Council</li> <li>• The Council has identified the risks that could affect the key resources and how the risks can be managed to within agreed tolerances</li> <li>• The Council has procedure notes that support key officers or their substitutes to carry out effective operations</li> <li>• The Council has tested its disaster response arrangements using mock scenarios.</li> </ul> <p>However, certain areas for improvement have been identified and are highlighted in more detail in this report. In summary these are:</p> <ul style="list-style-type: none"> <li>• Some of the Council's Business Continuity Plans were incomplete or inaccurate, including some that did not clearly identify the plan approver, plan manager and plan owner, increasing the risk that the Council might not be able to provide its critical services in the event of an incident</li> <li>• Some staff were not made aware of the Council's Business Continuity arrangements, especially who the responsible officers are</li> <li>• An official training programme for staff involved with Business Continuity managements could not be evidenced</li> <li>• Appropriate substitute officers were not nominated or lacked essential training</li> <li>• The Business Continuity Management Strategy has yet to be approved by the Corporate Leadership team</li> <li>• The Council's Business Continuity plans were not sorted into high, medium or low risk plans which is a requirement of the Business Continuity Policy.</li> </ul>

# SUMMARY OF 2017-18 WORK

Reports Issued	Recommendations and significance			Overall Report Conclusions (see Appendix I)		Summary of Key Findings / Recommendations
	H	M	L	Design	Operational Effectiveness	
Partnership Working	0	1	2	Moderate	Moderate	<p>Across the review a number of good practice points were identified. These points demonstrate the commitment to strong internal controls. Specifically:</p> <ul style="list-style-type: none"> <li>The Council has a comprehensive framework in place which provides guidance around the assessment and monitoring of partnerships, including detailed assessment requirements and a risk assessment proforma</li> <li>The Council has identified its 'significant' partnerships and has set criteria for establishing which partnerships are deemed to be significant</li> <li>There is a system in place to ensure that Lead Officers review their partnerships on an annual basis.</li> </ul> <p>However, certain areas for improvement have been identified and are highlighted in more detail in this report. In summary these are:</p> <ul style="list-style-type: none"> <li>The Council's guidance document 'Managing Partnerships Effectively Toolkit' does not include partnership approval processes, and for two of the three partnerships we reviewed there was no evidence of formal approval or committee oversight of joining the partnerships</li> <li>Overall review of Significant Partnerships with committee overview is not carried out consistently on a regular basis</li> <li>There was a lack of evidence to support reporting back to the relevant committee for one of the three partnerships we reviewed.</li> </ul>
Elections Improvement Plan (High level Review)	0	3	0	Limited	Limited	<p>Whilst the Council had taken the positive step of reviewing the service and producing an Elections Improvement Plan to deliver the required improvements, our high level review of progress with delivery found that:</p> <ul style="list-style-type: none"> <li>The elections improvement plan has not yet been fully delivered. 50% of the plan has not yet been sufficiently delivered or evidenced</li> <li>Progress in implementing the elections improvement plan has not been formally monitored by either the leadership team or Members groups</li> <li>Election service business critical activities have not been clearly outlined or defined and the required resources or substitutes to ensure the resilience of the service have not been identified.</li> </ul>

# SUMMARY OF 2017-18 WORK

## APPENDIX 1

Reports Issued	Recommendations and significance			Overall Report Conclusions (see Appendix I)		Summary of Key Findings / Recommendations
	H	M	L	Design	Operational Effectiveness	
Information Management (Advisory review)	0	2	1	N/A	N/A	<p>The following areas of good practice were identified:</p> <ul style="list-style-type: none"> <li>• The Council has appointed a Data Protection Officer in an interim role until November 2018</li> <li>• The Council has established an e-learning application to provide training to all members of staff, Information Governance managers and stakeholders and elected members of the Council. 92% of staff have completed the GDPR training and the Council intends to have completed training by the end of April 2018</li> <li>• The DPO has hosted GDPR awareness presentation and discussions for all members of staff</li> <li>• The Council has reviewed and updated the Data Protection policy to include appropriate measures to demonstrate compliance with the GDPR requirements</li> <li>• The Council has embedded an Information Asset Register template that will record the: personal and protected data held by the Council; how it flows internally and externally; and the legal reason for processing the data where appropriate. The Information Asset Register will be subject to an annual review</li> <li>• The Council has drafted a privacy notice that will be published on its website from the end of April. The privacy notice will provide links to each of the notices issued by the Council's departments, setting out the types of data to be processed and the reasons for this</li> <li>• The Council has established an Information Security Incident Reporting and Data Breach Management policy</li> <li>• The Council has established a Data Retention policy and schedule, which includes an associated record of all documents disposed of by the Council</li> <li>• All third parties that personal identifiable information is shared with have been identified and the Council is in the process of establishing the necessary information sharing agreements.</li> </ul> <p>However, we identified the following areas for improvement:</p> <ul style="list-style-type: none"> <li>• The Information Asset register is not yet fully complete and does not record all the relevant information</li> <li>• There are not documented procedures for managing the requests by an individual under GDPR.</li> </ul>

# SUMMARY OF 2017-18 WORK

Reports Issued	Recommendations and significance			Overall Report Conclusions (see Appendix I)		Summary of Key Findings / Recommendations
	H	M	L	Design	Operational Effectiveness	
Disaster Recovery and Business Continuity	0	5	1	Moderate	Moderate	<p>Areas of good practice identified were:</p> <ul style="list-style-type: none"> <li>• The Council has a defined Business Continuity policy</li> <li>• The Council has risk assessed all the business services and defined the criticality of the services</li> <li>• The Council has performed testing of the individual business continuity plans for all its services.</li> </ul> <p>We have identified the following areas for improvement:</p> <ul style="list-style-type: none"> <li>• The Council has not defined the recovery point objectives for the critical services, nor are the recovery objectives aligned within the Business Continuity Plan and Disaster Recovery Plan</li> <li>• The IT Disaster Recovery plan requires further development, including further detail on recovery procedures and when the plan will be invoked</li> <li>• The Corporate Business Continuity Plan requires further development, including having clear responsibilities for business continuity and relevant contact details</li> <li>• The Business continuity and disaster recovery plans have not been tested</li> <li>• The Council's key officers are not provided with appropriate disaster recovery training.</li> </ul>

# RECOMMENDATION FOLLOW UP 2017-18

## Introduction

We regularly follow up progress with the implementation of recommendations raised by Internal Audit and bi-annually we report to the Audit Committee. We request commentary by responsible officers on the progress towards implementation of our recommendations and for high and medium priority recommendations we verify the progress to source evidence and conclude either that the recommendation is complete or incomplete.

## Executive Summary - 2015/16 Recommendations

19 high and medium priority recommendations were made in 2015/16, of which 18 were confirmed to have been implemented by March 2018.

We identified that 1 medium priority recommendation was still in progress but there is a plan in place to implement that recommendation. The remaining recommendations have been implemented. We continue to review outstanding recommendations until they are implemented.

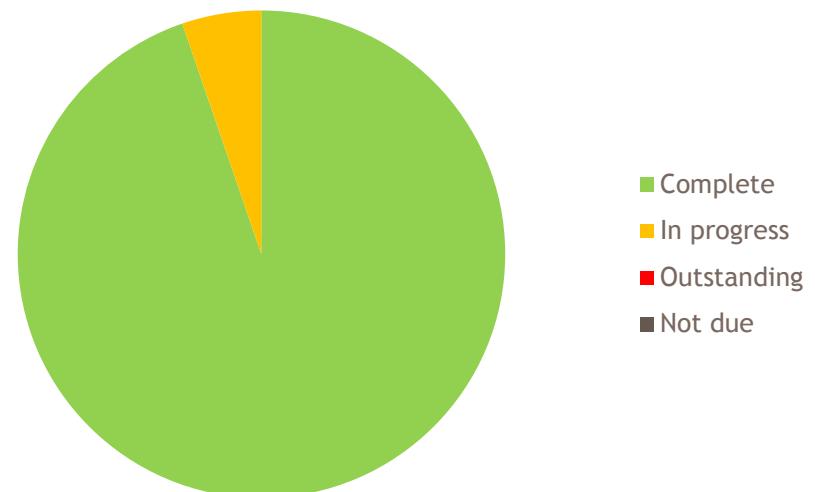
## Executive Summary - 2016/17 Recommendations

For 2016/17 we raised a total of 54 high and medium priority recommendations, of which 53 were agreed by management.

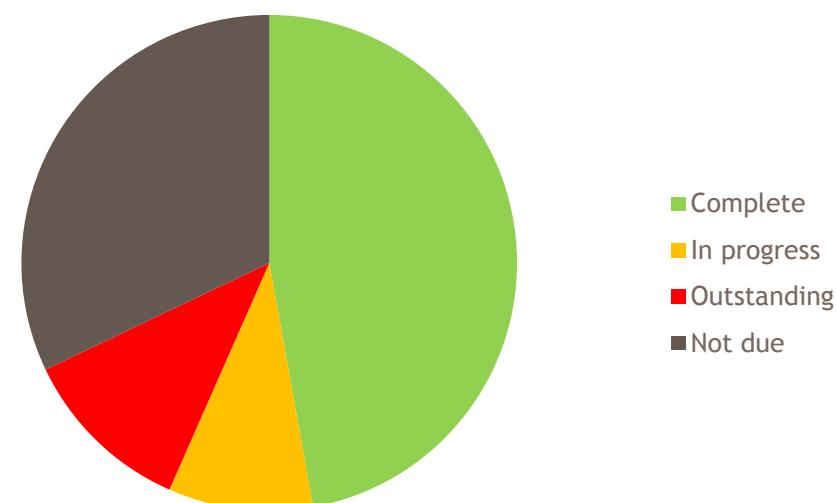
Of the 53 agreed recommendations made in 2016/17, 36 were scheduled to have been implemented at the time of our review, for those that were due to be implemented by the time of our review we identified:

- 25 recommendations have been implemented
- 5 recommendations are in the process of being implemented
- 6 recommendations are outstanding or pending confirmation

## Recommendations Summary for 2015/16



## Recommendations Summary for 2016/17 - Agreed Recommendations

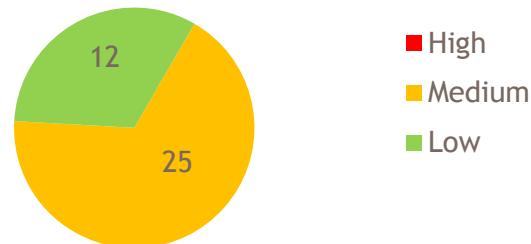


# RECOMMENDATION AND ASSURANCE DASHBOARD

The number of recommendations raised in 2017-18 for the period 1 April 2017 to 31 March 2018 are shown below

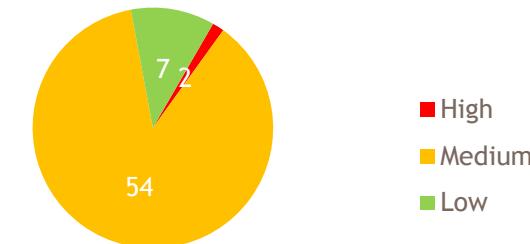
2017-18

Number of recommendations:



2016/17

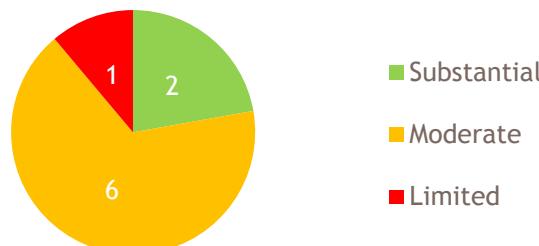
Number of recommendations:



We also provide an overall opinion on both the design and operational effectiveness of the controls operating over the areas we review when we are providing assurance:

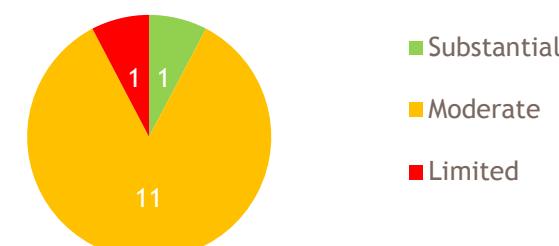
2017-18

Control design:

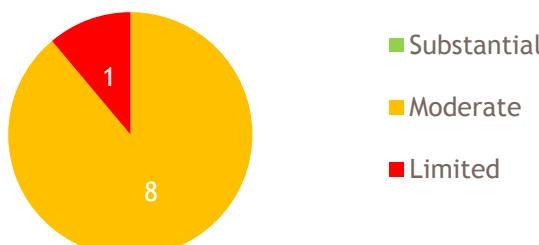


2016/17

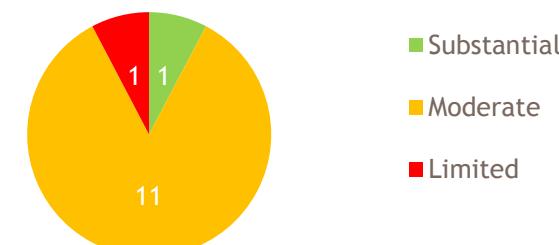
Control design:



Control effectiveness:



Control effectiveness:



# BACKGROUND TO ANNUAL OPINION

Our role as internal auditors to Maldon District Council is to provide an opinion to the Council, through the Audit Committee, 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 Council 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 2017 to 31 March 2018 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 or changes to priorities. 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.

# BACKGROUND TO ANNUAL OPINION

## Scope and approach

### Audit Approach

We have reviewed the control policies and procedures employed by Maldon District Council to manage risks in business areas identified by management set out in the 2017-18 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 Maldon District 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.

### Coverage

During 2017-18 BDO LLP has reviewed and evaluated Maldon District Council processes in the following areas:

- Main Financial Systems
- Budget Setting
- Economic Development / Business Rates Growth
- Attendance Management
- Business Resilience
- Contract Procurement Management and Purchasing
- Partnership Working
- Elections Improvement Plan
- Information Management (Advisory review)
- Disaster Recovery and Business Continuity

# BACKGROUND TO ANNUAL OPINION

## **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 about our proposed reporting 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 action on our recommendations**

Management have generally been conscientious in reviewing and commenting on our reports. For the reports which have been finalised, management have responded positively. The responses indicate that appropriate steps to implement our recommendations are expected.

## **Recommendation follow-up**

The majority of recommendations made in our 2016/17 and earlier audits had either been implemented or were in the process of being implemented, although implementation dates for some recommendations had been deferred. We will review recommendations which remained outstanding as at March 2018 again during 2018/19.

## **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.

# BACKGROUND TO ANNUAL OPINION

## Report by BDO LLP to Maldon District Council

As the internal auditors of Maldon District Council we are required to provide the Audit Committee and the Section 151 Officer 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 Maldon District Council with moderate assurance that there are no major weaknesses in the internal control system for the areas reviewed in 2017/18. 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 confirms 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 2017/18
- 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 Maldon District Council
- Any limitations which may have been placed on the scope of internal audit (no restrictions were placed on our work).

# CONTRACTUAL KEY PERFORMANCE INDICATORS

Quality Assurance	Detail on KPI's	RAG Rating 2017-18
<ul style="list-style-type: none"> <li>High quality documents produced by the auditor that are clear and concise and contain all the information requested.</li> </ul>	<p>All documents produced by the auditor are clear and concise, containing all the information required.</p>	
<ul style="list-style-type: none"> <li>Frequent communication to the customer of the latest mandatory audit standards and professional standards prescribed by the main accountancy bodies.</li> </ul>	<p>Standards updates are provided within the Audit Committee progress report when required.</p>	
Reporting Arrangements		
<ul style="list-style-type: none"> <li>The auditor attends the necessary, meetings as agreed between the parties at the start of the contract</li> </ul>	<p>All meetings attended including Audit Committee meetings, pre-meetings, individual audit meetings and contract reviews have been attended by either the partner or audit manager.</p>	
<ul style="list-style-type: none"> <li>Information is presented in the format requested by the customer.</li> </ul>	<p>No issues to note.</p>	
<ul style="list-style-type: none"> <li>External audit can rely on the work undertaken by internal audit (where planned)</li> </ul>	<p>No issues have been raised concerning the work of internal audit.</p>	

# CONTRACTUAL KEY PERFORMANCE INDICATORS

Delivery	Detail on KPI's	RAG Rating 2017-18
<ul style="list-style-type: none"> <li>Draft report to be produced 3 weeks after the end of the fieldwork</li> </ul>	<p>For the majority of reports the draft reports have been provided within 3 weeks of the completion of the work and management have then responded within 3 weeks.</p>	
<ul style="list-style-type: none"> <li>Management to respond to internal audit reports within 3 weeks</li> </ul>	<p>However there were isolated instances where that was not achieved and we will work with management to prevent this in 2018/19.</p>	
<ul style="list-style-type: none"> <li>Final report to be produced 1 week after management responses</li> </ul>	<p>The final reports issued to date have been issued one week after receipt of management response.</p>	
<ul style="list-style-type: none"> <li>Positive result from any external review</li> </ul>	<p>Following an External Quality Assessment by the Institute of Internal Auditors in April 2015, BDO were found to 'generally conform' (the highest rating) to the International Professional Practice Framework and Public Sector Internal Audit Standards.</p>	

# APPENDIX I - OPINION AND RECOMMENDATION SIGNIFICANCE 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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