

20 July 2018

## AUDIT AND ETHICS COMMITTEE – 30 JULY 2018

A meeting of the Audit and Ethics Committee will be held at 6pm on Monday 30 July 2018 in Committee Room 1 at the Town Hall, Rugby.

Adam Norburn  
Executive Director

### A G E N D A

#### PART 1 – PUBLIC BUSINESS

1. Minutes

To confirm the minutes of the meeting held on 29 May 2018.

2. Apologies

To receive apologies for absence from the meeting.

3. Declarations of Interest

To receive declarations of:

(a) non-pecuniary interests as defined by the Council's Code of Conduct for Councillors;

(b) pecuniary interests as defined by the Council's Code of Conduct for Councillors; and

(c) notice under Section 106 Local Government Finance Act 1992 – non-payment of Community Charge or Council Tax.

***Note: Members are reminded that they should declare the existence and nature of their non-pecuniary interests at the commencement of the meeting (or as soon as the interest becomes apparent). If that interest is a pecuniary interest the Member must withdraw from the room unless one of the exceptions applies.***

***Membership of Warwickshire County Council or any Parish Council is classed as a non-pecuniary interest under the Code of Conduct. A Member does not need to declare this interest unless the Member chooses to speak on a matter relating to their membership. If the Member does not wish to speak on the matter, the Member may still vote on the matter without making a declaration.***

4. Approval of Accounts 2017/18 (report to follow)
5. Treasury Management 2017/18 – Annual Report
6. 2018/19 Internal Audit Plan – Progress Update
7. Motion to Exclude the Public under Section 100(A)(4) of the Local Government Act 1972

To consider passing the following resolution:

“Under Section 100(A)(4) of the Local Government Act 1972 the public be excluded from the meeting for the following items on the ground that they involve the likely disclosure of information defined in paragraphs 1, 2 and 3 of Schedule 12A of the Act.”

## **PART 2 – EXEMPT INFORMATION**

1. Exemption to Contracts Standing Orders – Appointment of a consultant on the emerging Local Plan
2. Exemption to Contracts Standing Orders – Appointment of consultants for the second stage of hearings of the Rugby Borough Local Plan
3. Whistle Blowing Incidents – Standing Item – to receive any updates
4. Fraud and Corruption Issues – Standing Item – to receive any updates

***Any additional papers or relevant documents for this meeting can be accessed here via the website.***

### **Membership of the Committee:**

Mr P Dudfield (Chairman), Mr J Eves (Vice-Chairman), Councillors Mistry, Pacey-Day, Roodhouse and one vacancy

*If you have any general queries with regard to this agenda please contact Veronika Beckova, Democratic Services Officer (01788 533591 or e-mail [veronika.beckova@rugby.gov.uk](mailto:veronika.beckova@rugby.gov.uk)). Any specific queries concerning reports should be directed to the listed contact officer.*

*If you wish to attend the meeting and have any special requirements for access please contact the Democratic Services Officer named above.*

***AGENDA MANAGEMENT SHEET***

<b>Report Title:</b>	Treasury Management 2017/18 - Annual Report
<b>Name of Committee:</b>	Audit and Ethics Committee
<b>Date:</b>	30th July 2018
<b>Report Director:</b>	Head of Corporate Resources and Chief Financial Officer
<b>Portfolio:</b>	Corporate Resources
<b>Ward Relevance:</b>	All
<b>Prior Consultation:</b>	Treasury Management Strategy 2017/18 - 2019/20 Cabinet February 2017
<b>Contact Officer:</b>	Mannie Ketley, Head of Corporate Resources and Chief Financial Officer Tel: (01788) 533420
<b>Public or Private:</b>	Public
<b>Corporate Priorities:</b>	All
<b>Statutory / Policy Background:</b>	The Council's Treasury Management activities are strictly regulated by the Local Government Act 2003 and the CIPFA Code of Practice on Treasury Management.
<b>Summary:</b>	The report sets out the Treasury Management activities for 2017/18.
<b>Financial Implications:</b>	The report ensures that the Council is aware of the final Treasury Management position for 2017/18.
<b>Risk Management Implications:</b>	There are no risk management implications for this report.
<b>Environmental Implications:</b>	There are no environmental implications for this report.

**Legal Implications:** There are no legal implications for this report.

**Equality and Diversity:** There are no equality and diversity implications for this report.

**Options:** As this report complies with the Treasury Management Code of Practice, which was approved by Council, no other options have been considered.

**Recommendation:**  

- 1) The Treasury Management report for 2017/18 be considered; and
- 2) The actual treasury management indicators (Appendix A) be noted.

**Reasons for Recommendation:** To comply with the Code of Practice

**Audit and Ethics Committee - 30th July 2018**

**Treasury Management 2017/18 - Annual Report**

**Report of the Head of Corporate Resources and Chief Financial Officer**

**Recommendation**

- 1) The Treasury Management report for 2017/18 be considered; and
- 2) The actual treasury management indicators (Appendix A) be noted.

**1.1 INTRODUCTION**

The annual Treasury Management Report is a requirement of the Council's reporting procedures; and a cornerstone of the CIPFA Code of Practice on Treasury Management in the Public Services. This report covers the treasury activities for the financial year 2017/18.

Part of the Council's treasury activity is to address any borrowing need, either through borrowing from external bodies, or utilising temporary cash resources available within the Council. The wider treasury activities also include managing the Council's cash flows, its existing borrowing activities, and investment of surplus funds. These activities are structured to manage risk foremost, and then to optimise performance.

**1.2 ECONOMIC REVIEW**

During the calendar year of 2017, there was a major shift in expectations in financial markets in terms of how soon the Bank Rate would start on a rising trend. After the UK economy surprised on the upside with strong growth in the second half of 2016, growth in 2017 was disappointingly weak in the first half of the year which meant that growth was the slowest for the first half of any year since 2012. The main reason for this was the sharp increase in inflation caused by the devaluation of sterling after the EU referendum, feeding increases into the cost of imports into the economy. This caused a reduction in consumer disposable income and spending power as inflation exceeded average wage increases. Consequently, the services sector of the economy, accounting for around 75% of GDP, saw weak growth as consumers responded by cutting back on their expenditure.

However, growth did pick up modestly in the second half of 2017. Bank Rates rose from 0.25% to 0.50% in November 2017.

Market expectations for increases in Bank Rate, therefore, shifted considerably during the second half of 2017-18 and resulted in investment rates from 3 – 12 months increasing sharply during the spring quarter.

### 1.3 THE COUNCIL'S CAPITAL EXPENDITURE AND FINANCING 2017/18

This forms one of the required prudential indicators, and shows total capital expenditure for the year and how this was financed.

	<b>2017/18 Actual £'000</b>	<b>2017/18 Estimate £'000</b>
Total capital expenditure	8,798	7,697
Resourced by:		
Capital receipts	(535)	(506)
Capital grants and other contributions	(770)	(803)
Capital reserves	(4,692)	(2,143)
Revenue	(1,961)	(1,493)
<b>Unfinanced capital expenditure</b>	<b>840</b>	<b>2,752</b>

The Council undertakes capital expenditure on long term assets. These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need (although this does result in a loss of interest on resources which would otherwise be invested) or;
- If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need (unfinanced capital expenditure, therefore resulting in an increase in interest costs and eventual loan repayment)

### 1.4 THE COUNCIL'S OVERALL BORROWING NEED

The Council's underlying need to borrow is called the Capital Financing Requirement (CFR). This figure is a gauge for the Council's debt position and represents 2017/18 and historic net capital expenditure which has not yet been charged to revenue. The process for charging the capital expenditure to revenue is a statutory requirement and is called the Minimum Revenue Provision (MRP)\*. The Council has the option to charge more than the statutory MRP each year through Voluntary Revenue Provision (VRP). The Council's CFR for the year is shown below, and represents a key prudential indicator. The total CFR can also be reduced by the application of additional capital resources (such as unapplied capital receipts.)

\*In effect this is the amount required to be set aside for the eventual loan repayment.

<b>Capital Financing Requirement</b>	<b>31 March 2018 Actual £'000</b>	<b>31 March 2018 Original Indicator £'000</b>
Opening balance 1 <sup>st</sup> April 2017	86,630	89,066
Plus: unfinanced capital expenditure	840	2,752
Less: MRP/Repayment of Loan	(1,737)	(6,864)
Less: Capital Receipts set aside for repayment of Local Authority Mortgage Scheme (LAMS)	(1,000)	-
<b>Closing balance 31<sup>st</sup> March 2018</b>	<b>84,733</b>	<b>84,954</b>

This table demonstrates that the Council's long-term borrowing need has decreased from that predicted at the beginning of 2017/18. This is predominantly related to:

- Slippage within the General Fund capital programme relating to vehicle purchases, carbon management plan and Great Central Walk bridges offset by;
- A decision by Council (24<sup>th</sup> April 2018) to replace the voluntary repayment provision (VRP) from the Housing Revenue Account (HRA) in 2017/18 with a revenue contribution to capital balances in advance of forecast works relating to high rise blocks in Rugby.

Current and future estimated MRP and interest costs (updated from the most recent General Fund and HRA Medium Term Financial Plans) are detailed in the table below:

	<b>2018/19 £'000</b>	<b>2019/20 £'000</b>	<b>2020/21 £'000</b>
MRP/VRP (Debt repayments)	7,768	8,359	8,651
Net Cost of Borrowing (Interest repayments)	1,490	1,554	1,345
Total Revenue Implications	9,258	9,913	9,996

The table shows a rising charge to revenue of direct capital expenditure based on current schemes and forecast programme costs. These values may change as a consequence of the rescheduling of HRA debt subject to refined estimates of works relating to high rise blocks in Rugby.

## 1.5 TREASURY POSITION AT 31<sup>st</sup> MARCH 2018

The table below shows a snapshot of the Council's position as at 31<sup>st</sup> March 2018 (not for the whole of 2017/18) compared with the previous year. This situation will of course change daily as investments are adjusted to meet cash flow requirements. The results for the year as a whole are shown below in 1.7.

	31/03/2018		31/03/2017	
	£'000	Average Rate (%)	£'000	Average Rate (%)
Borrowings:				
PWLB	43,421	2.6	50,521	2.4
Money Market	13,688	3.7	13,700	3.7
Local Authorities	42,000	1.0	37,000	1.2
<b>Total Debt Outstanding</b>	<b>99,109</b>	<b>2.1</b>	<b>101,221</b>	<b>2.3</b>
Investments:				
In house	65,860	1.2	56,770	1.0
<b>Total Investments Outstanding</b>	<b>65,860</b>	<b>1.2</b>	<b>56,770</b>	<b>1.0</b>

(PWLB = Public Works Loan Board)

## 1.6 BORROWING IN THE YEAR:

The movement in outstanding debt was £2.112m (including temporary borrowing) as shown below:

	£'000
Debt outstanding at 1 <sup>st</sup> April 2017	101,221
Borrowing in year	28,000
Repayments in year (temporary borrowing)	(30,112)
<b>Debt Outstanding at 31<sup>st</sup> March 2018</b>	<b>99,109</b>

## 1.7 INVESTMENTS IN THE YEAR

### 1.7.1 Internally Managed Investments

The net movement in the year was an increase of £9.090m as shown below:

	£'000
Opening Balance at 1 <sup>st</sup> April 2017	56,770
Investments in year	150,434
Repayments in year	(141,344)
<b>Closing balance at 31<sup>st</sup> March 2018</b>	<b>65,860</b>

Note that investments made and subsequent repayments received result from daily short-term activities.



### 1.7.2 Investment Performance for 2017/18

The returns achieved through the investment strategy undertaken by the Council are shown below:

	Average Investment £m	Rate of Return (Net of Fees) %	Benchmark Return (7 Day LIBID Rate) %	Original Estimate %
Internally managed	77,403	0.94	0.21	0.84

## TREASURY MANAGEMENT INDICATORS 2017/18

**1. Security: average credit rating**

To measure the security of its portfolio, the council compares the historic risk of default of its investments against a maximum target rate.

As an example, *based on historic data*, a AAA (least risk) rated investment has 0% chance of default within 1 year and a 0.05% chance of default within 3 years. A BBB+ (most risk) rated investment has a 0.24% chance of default within 1 year and a 1.21% chance of default within 3 years.

	Limit	Actual
Historic risk of default	0.25% (max)	0.031%

**2. Interest rate exposures**

This indicator is set to control the Council's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as an amount of net principal borrowed (or proportion of net principal borrowed, or an amount of net interest paid, or a proportion of net interest paid) will be:

	Limit £'000	Actual £'000
Upper limit on fixed interest rate exposures	111,000	33,249
Upper limit on variable interest rate exposures	0	-65,860

**3. Maturity structure of borrowing**

This indicator is set to control the Council's exposure to refinancing risk – that all borrowing falls due for repayment at the same time. The maturity structure of fixed rate borrowing was:

	Upper Limit	Lower Limit	Actual
Under 12 months <sup>1,2</sup>	20	0%	27
12 months and within 24 months	30	0%	14
24 months and within five years	60	0%	39
Five years and within 10 years	60	0%	14
10 years to 20 years	75	0%	1
20 years to 30 years	75	0%	1
30 years to 40 years	75	0%	1
40 years +	75	0%	4

<sup>1</sup>Includes temporary borrowing for cash flow purposes.

<sup>2</sup>The Council's repayment profile for HRA self-financing debt includes significant sums in forthcoming years meaning that the proportion of borrowing falling due within 1 year will increase in relation to the overall debt portfolio. The Upper Limit on this indicator has been re-set to 50% in 2018/19 and future years to accommodate this situation and allow scope for increased use of temporary borrowing from other local authorities at below PWLB rates.

The maturity date of borrowing is the earliest date on which the lender can demand repayment.

#### **4. Principal sums invested for periods longer than 364 days**

The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. It is used in conjunction with the liquidity indicator to ensure sufficient cash resources are available without penalty during the short to medium term. The total principal sums invested to final maturities beyond the year end were:

	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
Limit on principal invested beyond year end	£20m	£20m	£20m
Actual principal invested beyond year end	£16.8m	£14.8m	£7.8m

Name of Meeting: Audit and Ethics Committee  
Date of Meeting: 30th July 2018  
Subject Matter: Treasury Management 2017/18 - Annual Report  
Originating Department: Corporate Resources

**List of Background Papers**

There are no background papers relating to this item.

**AGENDA MANAGEMENT SHEET**

**Report Title:** 2018/19 Internal Audit Plan - Progress Update

**Name of Committee:** Audit and Ethics Committee

**Date of Meeting:** 30 July 2018

**Report Director:** Head of Corporate Resources and CFO

**Portfolio:** Corporate Resources

**Ward Relevance:** None

**Prior Consultation:** Head of Corporate Resources and Chief Financial Officer

**Contact Officer:** Chris Green, Corporate Assurance and Improvement Manager, Tel: 01788 533451

**Public or Private:** Public

**Report Subject to Call-In:** No

**Report En-Bloc:** No

**Forward Plan:** No

**Corporate Priorities:** This report relates to the following priority(ies):

**(CR) Corporate Resources**  To provide excellent, value for money services and sustainable growth

**(CH) Communities and Homes**  Achieve financial self-sufficiency by 2020

**(EPR) Environment and Public Realm**  Enable our residents to live healthy, independent lives

**(GI) Growth and Investment**  Optimise income and identify new revenue opportunities (CR)

Prioritise use of resources to meet changing customer needs and demands (CR)

Ensure that the council works efficiently and effectively (CR)

Ensure residents have a home that works for them and is affordable (CH)

Deliver digitally-enabled services that residents can access (CH)

Understand our communities and enable people to take an active part in them (CH)

Enhance our local, open spaces to make them places where people want to be (EPR)

Continue to improve the efficiency of our waste and recycling services (EPR)

- Protect the public (EPR)
- Promote sustainable growth and economic prosperity (GI)
- Promote and grow Rugby's visitor economy with our partners (GI)
- Encourage healthy and active lifestyles to improve wellbeing within the borough (GI)

**Statutory/Policy Background:** Public Sector Internal Audit Standards (PSIAS)

**Summary:** The report sets out progress against delivery of the Internal Audit Plan for 2018/19.

**Financial Implications:** No direct implications

**Risk Management Implications:** No direct implications

**Environmental Implications:** No direct implications

**Legal Implications:** No direct implications

**Equality and Diversity:** No direct implications

**Options:** None

**Recommendation:**

1. That the report be considered and noted.
2. That the programme of IT internal audit work for 2018/19 be approved.
3. The proposed change to internal audit performance measures be approved.

**Reasons for Recommendation:** To comply with the requirements of the terms of reference of the Audit & Ethics Committee, and to discharge the Committee's responsibilities under the Constitution.

**Audit and Ethics Committee - 30 July 2018**

**2018/19 Internal Audit Plan - Progress Update**

**Public Report of the Head of Corporate Resources and CFO**

**Recommendations**

1. That the report be considered and noted.
2. That the programme of IT internal audit work for 2018/19 be approved.
3. The proposed change to internal audit performance measures be approved.

**1. Introduction**

- 1.1 The purpose of this report is to set out progress against the Internal Audit Plan for 2018/19.

The Council has a legal duty to maintain an adequate and effective Internal Audit service. The primary role of Internal Audit is to provide independent assurance that the Council has put in place appropriately designed internal controls to ensure that:

- The Council's assets and interests are safeguarded;
- Reliable records are maintained;
- Council policies, procedures and directives are adhered to; and
- Services are delivered in an efficient, effective and economic manner.

This work is normally referred to as Section 151 work.

**2. Summary of Audit Work**

- 2.1 The Internal Audit plan for 2017/18 was approved by the Audit & Ethics Committee on 27 March 2018. Progress against delivery of that plan is set out at Appendix A.
- 2.2 Appendix A also sets out the progress against the recommendations made by Internal Audit and details the latest position in relation to agreed actions which are overdue.

**3. Revisions to the 2018/19 Audit Plan**

- 3.1 The Committee's role as gatekeeper requires it to approve any significant changes to the internal audit plan, in accordance with the Public Sector Internal Audit Standards. It is also good practice to continually review the audit plan in light of emerging issues, to ensure that the work of internal audit adds maximum value by proactively responding to and aligning its work with the most significant risks facing the organisation. There are no proposed

amendments to the audit plan at this time, however the following paragraphs provide further detail on the planned IT internal audit work.

- 3.2 When the internal audit plan was approved on 27 March 2018, it was agreed that a programme of IT internal audit work would be presented for consideration and approval by the Committee at a later date, due to the long-term absence of the previous Corporate ICT Manager.
- 3.3 The Council's IT audit work is currently delivered by TIAA under a framework agreement managed by Warwickshire County Council. TIAA delivers 24 days of IT audit work each year.
- 3.4 Following discussions with the Interim Corporate ICT Manager and the TIAA IT Auditor, and consultation with the Head of Communities and Homes, the following assurance work is proposed for 2018/19:
- Review and testing of the Council's IT Backup arrangements. This will complement the review of changes to the Council's Infrastructure Resilience framework in 2017/18.
  - Review and testing of IT System Patching arrangements to provide assurance that they are designed and operating effectively. This area has not been subject to recent review by internal audit.
- 3.5 In addition it is proposed that the TIAA IT Auditor supports delivery of the planned internal audit review of the Council's framework for ensuring compliance with the General Data Protection Regulation (GDPR), working alongside the in-house team. The work will be completed within the existing IT audit budget, and will ensure that specialist knowledge of the subject area is utilised when the work is carried out.

#### **4. Proposed Changes to Performance Measures**

- 4.1 In May 2016 the Committee agreed to put in place four measures which are used to monitor the performance of the internal audit service. Those measures are:
- Delivery of the Internal Audit Plan – Percentage of assignments delivered to at least draft report stage by 31 March 2017 (annual measure)
  - Customer Satisfaction – Average Rating
  - Timeliness of Reporting – Average time taken to issue draft reports following fieldwork completion; and
  - Implementation of Agreed Actions – Percentage implemented on time
- 4.2 As reported to the last meeting, there was inadequate data for 2017/18 to enable reliable reporting of customer satisfaction with the internal audit service. Steps have been taken to address this; surveys will now be issued at the final draft report stage to ensure that the audit is still fresh in the minds of key stakeholders. This will also provide a final opportunity to address any issues related to the quality of audit reports before they are finalised. The surveys, which are currently issued via SurveyMonkey, will now be issued via a Sharepoint link to remove any perception by recipients that the surveys might be spam.



- 4.3 The Corporate Assurance and Improvement team recently held a workshop focussed on how continuous improvement of its services will be delivered over the next 3 years, in support of the Corporate Strategy objectives. One area highlighted for improvement related to the time taken to complete audits from start to finish. A new performance measure is therefore proposed to enable progress in this area to be monitored and to facilitate root cause analysis where audits are found to be taking too long to complete. The proposed measure is:
- Average end to end time for audits (number of days)

**Name of Meeting:** Audit and Ethics Committee  
**Date of Meeting:** 30 July 2018  
**Subject Matter:** 2018/19 Internal Audit Plan - Progress Update  
**Originating Department:** Corporate Resources

**DO ANY BACKGROUND PAPERS APPLY**  **YES**  **NO**

**LIST OF BACKGROUND PAPERS**

<b>Doc No</b>	<b>Title of Document and Hyperlink</b>
Appendix A	Internal Audit Progress Update

The background papers relating to reports on planning applications and which are open to public inspection under Section 100D of the Local Government Act 1972, consist of the planning applications, referred to in the reports, and all written responses to consultations made by the Local Planning Authority, in connection with those applications.

Exempt information is contained in the following documents:

<b>Doc No</b>	<b>Relevant Paragraph of Schedule 12A</b>



**INTERNAL AUDIT PROGRESS UPDATE  
JULY 2018**

**Date: 30 July 2018**

## ***Introduction***

- 1.1 The Public Sector Internal Audit Standards (the Standards) require the Audit & Ethics Committee to scrutinise the performance of Internal Audit and to satisfy itself that it is receiving appropriate assurance that the controls put in place by management address the identified risks to the Council. This report aims to provide the Committee with details on progress made in delivering planned work, the key findings of audit assignments completed since the last Committee meeting, updates on the implementation of actions arising from audit reports and an overview of the performance of the team.

## ***Performance***

### **2.1 Will the Internal Audit Plan be delivered?**

The expected position by the date of the Committee meeting is as follows:

- 1 assurance assignment has been completed (the Annual Governance Statement);
- 1 draft report has been issued (Housing Rent Arrears)
- 9 assignments are in progress;

There has been a case of long-term sickness absence within the Corporate Assurance and Improvement team since the beginning of the financial year. The officer has now returned to work and the audit plan has been re-reviewed to ensure that sufficient resources are in place to deliver the plan. A small amount of work has been reallocated within the in-house team. The allowance for corporate investigation work has also been reduced by 15 days on the basis that additional management capacity is now available within the Council to support such work. TIAA have been commissioned to deliver the audit of insurance, on the basis that the Corporate Assurance and Improvement Manager has functional responsibility for this area and there would otherwise be a conflict of interest. Following the review it can be confirmed that sufficient resources are in place to deliver the internal audit plan on time.

Progress on individual assignments is shown at pages 5 to 8 of this report.

### **2.2 Based upon recent Internal Audit work, are there any emerging issues that impact upon the Internal Audit opinion of the Council's Control Framework?**

At this stage there are no emerging issues arising from the work of Internal Audit which significantly impact upon the Internal Audit opinion of the Council's Control Framework.

### 2.3 Are clients progressing audit recommendations with appropriate urgency?

At the date of reporting, **93% of management actions related to 2017/18 have been implemented by the agreed implementation date.** A summary analysis of progress on implementation of audit recommendations is shown at pages 9. **At the time of reporting there are 10 agreed management actions for which implementation is overdue.** The details of these actions, along with a summary of the latest position, are set out at pages 10 to 14 of this report. Implementation of the actions will continue to be monitored by the Corporate Assurance and Improvement Team and reported to each Committee meeting.

### 2.4 Internal Audit Performance Indicators

The effectiveness with which Internal Audit discharges its section 151 responsibilities is being measured by the following indicators, as agreed by the Audit & Ethics Committee:

<u>Theme</u>	<u>Title of Performance Indicator</u>	<u>Current Performance</u>
Delivery	Average end to end time for audits (number of days)	Insufficient data at this stage of the year.
Adding Value	Customer Satisfaction – Average Rating	Will be reported as an annual measure.
Timeliness	Timeliness of Reporting – Average time taken to issue draft reports following fieldwork completion	Insufficient data at this stage of the year.  Prior year result: 7.0 working days
Effectiveness	Implementation of Agreed Actions – Percentage implemented on time	93% - at the time of reporting there are 10 recommendations which are past their agreed implementation date. Refer to pages 10 to 14

## ***Limitations and Responsibilities***

### ***Limitations inherent to the Internal Auditor's work***

Internal Audit is undertaking a programme of work agreed by the council's senior managers and approved by the Audit & Ethics Committee subject to the limitations outlined below.

### ***Opinion***

Each audit assignment undertaken addresses the control objectives agreed with the relevant responsible managers. There might be weaknesses in the system of internal control that Internal Audit are not aware of because they did not form part of the programme of work were excluded from the scope of individual internal audit assignments, or were not brought to the attention of Internal Audit. As a consequence, the Audit & Ethics Committee should be aware that the Audit Opinion for each assignment might have differed if the scope of individual assignments was extended or other relevant matters were brought to Internal Audit's attention.

### ***Internal Control***

Internal control systems identified during audit assignments, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision making, human error, control processes being deliberately circumvented by employees and others, management overriding controls, and unforeseeable circumstances.

### ***Future Periods***

The assessment of each audit area is relevant to the time at which the audit was completed. In other words, it is a snapshot of the control environment at that time. This evaluation of effectiveness may not be relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in operating environment, law, regulatory requirements or other factors; or
- The degree of compliance with policies and procedures may deteriorate.

### ***Responsibilities of Management and Internal Auditors***

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance, and for the prevention or detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

Internal Audit endeavours to plan its work so that there is a reasonable expectation that significant control weaknesses will be detected. If weaknesses are detected additional work is undertaken to identify any consequent fraud or irregularities. However, Internal Audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected, and its work should not be relied upon to disclose all fraud or other irregularities that might exist.

**Progressing the Annual Internal Audit Plan**

<b>KEY</b>
Current status of assignments is shown by ✓

Assignment	Budget (days)	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Assurance Rating	Comments
Financial Risks									
Creditors	20	✓							Planned for Q3
Treasury Management	12	✓							Planned for Q4
Benefits	20	✓							Planned for Q3
Housing Rent Arrears	12					✓			
Counter Fraud									
Fraud Awareness	6			✓					A range of training sessions to be delivered by 31/03/19. Member training delivered on 19/07/2018
Fraud Risk Assessments	10			✓					At the time of reporting half of the assessment work had been completed.
Grants to Community Groups	10			✓					In progress
Lottery	5	✓							New initiative, timing will be linked to the launch of the lottery.

Assignment	Budget (days)	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Assurance Rating	Comments
ICT									
ICT Backup Arrangements	8		✓						Being delivered by TIAA
ICT System Patching Arrangements	8		✓						Being delivered by TIAA
Corporate Risks									
Change Management	12	✓							Ongoing consultative support.
Health & Safety Follow Up	15	✓							To include a review of arrangements for ensuring health & safety compliance at residential properties.
Corporate Strategy Project Assurance - Digitalisation	15	✓							Scheduled for Q4
Workforce Planning and Development	15	✓							Scheduled for Q3
Absence Management	12	✓							Scheduled for Q2
Elections	15	✓							Scheduled for Q4
GDPR and the Law Enforcement Directive	20	✓							Scheduled for Q3



Assignment	Budget (days)	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Assurance Rating	Comments
Ethical Risks									
Values and Behaviours – Follow up	12	✓							Scheduled for Q4
Operational Risks									
Tenant Recharges	10			✓					In progress
Housing Repairs	20			✓					In progress
Car Parking Consultancy Review	10	✓							Planned for Q2
Car Parking Enforcement	12	✓							Planned for Q2
Housing Options	10	✓							Planned for Q3
Follow up Work	12			✓					Ongoing
Insurance	15	✓							Planned for Q4
Housing Management System	6		✓						To be delivered in Q2
Licensing	25			✓					In progress
Planning Enforcement	12	✓							Planned for Q4

Assignment	Budget (days)	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Assurance Rating	Comments
Independent Living Service	15			✓					In progress
Green Waste Optimisation	6	✓							Planned for Q2
Additional Support									
Annual Governance Statement	12						✓	Substantial	Statement endorsed by Audit & Ethics Committee in May 2018 and by SMT in June 2018
National Fraud Initiative	8		✓						
Corporate Investigation Work	25			✓					One corporate investigation has been completed with a report issued.

**Summary: Implementation of Audit Recommendations Made in 2017/18**

<b>Audit</b>	<b>No. of Recs</b>	<b>Implemented on Time</b>	<b>Implemented Late</b>	<b>Not yet due</b>	<b>Overdue</b>	<b>Rejected Medium or High Risk Actions</b>
Corporate Credit Cards	9	8	0	0	1	0
Play & On Track	12	9	0	3	0	0
RAGM Income	14	8	0	5	1	0
Green Waste	1	1	0	0	0	0
ICT Infrastructure	6	0	0	6	0	0
Benn Hall	18	0	0	18	0	0
Council Tax & NDR Fraud	10	0	0	10	0	0
Fleet Management	13	0	0	13	0	0
Partnership Governance	2	0	0	2	0	0
Risk Management	7	0	0	7	0	0
Housing Repairs Stock Control	9	2	0	7	0	0
Values & Behaviours	12	0	0	12	0	0
<b>Due for Completion</b>	<b>30</b>	<b>28 (93%)</b>	<b>0 (0%)</b>	<b>-</b>	<b>2* (7%)</b>	<b>0</b>
<b>Totals</b>	<b>113</b>	<b>28 (25%)</b>	<b>0 (0%)</b>	<b>83 (73%)</b>	<b>2* (2%)</b>	<b>0</b>

\* There are in addition 8 overdue recommendations from 2016/17, bringing the total to 10. Details are set out on the following pages.

**Details of Overdue Audit Recommendations**

Audit	Agreed Action	Original Target Date	Management Comments	Revised Timescale
Health & Safety	<p>Review the level of Health and Safety Advisor support across the Council.</p> <p>Ensure there is appropriate advisory support in place so high risk operational activities are undertaken safely.</p>	31/03/2017	Action in progress. The latest position is that a proposal has been developed and submitted to the Senior Management team which, if successfully implemented, will address the in house safety and resilience capacity issues and ensure a full emergency planning and business continuity service is provided.	31/12/2018
Health & Safety	Ensure that all temporary and agency staff receive appropriate induction training covering safe working practices, including DSE assessments where applicable.	31/03/2017	In progress. The original agency worker checklist has been reviewed and the procedure updated. A health and safety video has been developed which must be watched by all such staff before they commence work with the Council. Filming took place in June 2018 and this is currently being edited. The staff will be required to confirm that they have watched and understood the contents of the video. The Council's agency worker supplier will administer this on behalf of the Council.	31/08/2018

Audit	Agreed Action	Original Target Date	Management Comments	Revised Timescale
Health & Safety	Consider requiring staff to attend health and safety refresher training on a programmed, targeted basis.	30/06/2017	Timing is linked to resourcing of the Corporate Safety and Resilience team (see above). A key element of the Senior Health and Safety Officer role is staff training. A training programme has been created and is due to be published. This will cover the rest of the current year and a further programme of training events will then be published for 2019.	30/09/2018
Health & Safety	<p>Publish the list and authors of risk assessments on the Extranet, and ensure that significant risks are communicated to the relevant staff and stakeholders.</p> <p>Ensure that risk assessments are periodically reviewed and updated, with any further training needs highlighted and communicated.</p> <p>Ensure that accident reports include a statement to demonstrate exactly how the risk assessment has changed as a result.</p> <p>Undertake periodic management monitoring checks to provide assurance</p>	31/03/2017	<p>The Council's Sharepoint area has been set up to hold the documents. Publication will begin as a trial for the Environment and Public Realm service area before being rolled out across the Council.</p> <p>Options for implementation are currently being explored with the Head of Service.</p> <p>An updated form has been put on the intranet but will be publicised so that managers understand what they need to do differently.</p> <p>A risk assessment checklist has been developed but the monitoring process is</p>	31/12/2018

Audit	Agreed Action	Original Target Date	Management Comments	Revised Timescale
	that health and safety risk assessments have been completed and/or updated for all areas of significant risk.		to be agreed with the Head of Service.  The timing of these actions remains linked to resolving the resourcing issues.	
Fees and Charges	The Finance Manager and Legal Services Manager should liaise with the Solicitor and Deputy Monitoring Officer to ensure that areas where services are free of charge currently but which have the potential to generate significant income are included in the next review. It would also be useful for Finance Officers to definitively know what the legal position is in the areas they look after i.e. whether generating an income rather than cost recovery is acceptable in statute.	31/05/2017	A revised timescale will be agreed. The previous Solicitor has now left the Council and attempts to recruit a Principal Lawyer have been unsuccessful. The Legal Services Manager has also left the Council. A new group manager has been recruited, who is expected to join the Council in October. This action will be reconsidered once the new group manager is in post.	TBC
Business Continuity & Emergency Planning	Draft and cascade an updated bomb threat procedure.	31/12/2017	A procedure has been drafted and is being considered by the Head of Environment and Public Realm. Options were also discussed at a meeting of the terrorism unit on 28 <sup>th</sup> June. The fire evacuation procedure would currently be applied should an incident occur.	30/09/2018

Audit	Agreed Action	Original Target Date	Management Comments	Revised Timescale
Procurement & Contract Management	Remind contract managers of their contract administration responsibilities.	31/03/2018	This is still in progress. Contract Management training is being sourced from a specialist training company and the content is being tailored to the Council's needs, which will include the contracts database, the procurement toolkit and the checklist. Training is expected to take place in September 2018.	30/09/2018
Financial System Key Controls	<p>Circulate a questionnaire to all organisations in receipt of mandatory NDR relief, in order to review eligibility. Ensure that each response is reviewed and eligibility for mandatory relief removed where necessary.</p> <p>Develop and maintain a schedule of mandatory NDR relief including details of the award date and when entitlement reviews have been carried out.</p>	31/03/2018	It is expected that this work will now be completed by the end of September 2018.	30/09/2018

Audit	Agreed Action	Original Target Date	Management Comments	Revised Timescale
Corporate Credit Card	Financial instructions to be updated and republished to include formalised credit card procedures for physical cards.	31/03/2018	Due to staff retention and recruitment issues, the financial instructions have not yet been updated. Two Principal Accountants have been appointed and they will be tasked with completing the update by the end of September 2018. Changes to the procedures have however been implemented and this has substantially addressed the issues raised in the audit.	30/09/2018
RAGM	The Tourism and Town Centre Team Leader should consider the benefits to continuing with the Ticketmaster offering, including the percentage commission needed to ensure the proposition is viable. He should also confirm the controls in place to ensure accurate records are maintained and appropriate financial controls exist when/if the agreement is finalised.	31/03/2018	This is still being considered by the Tourism and Town Centre Team Leader, who has received a revised version of the draft agreement from Ticketmaster and is discussing this with management.	30/08/2018