

14 November 2017

AUDIT AND ETHICS COMMITTEE – 27 NOVEMBER 2017

A meeting of the Audit and Ethics Committee will be held at 5.30pm on Monday 27 November 2017 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 21 September 2017.

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. Annual Audit Letter 2016/17
5. Treasury Management Report 2017/18 – Progress Report
6. Internal Audit External Quality Assessment
7. Interim Review of Internal Audit Plan
8. 2017/18 Internal Audit Plan – Progress Update
9. 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. Corporate Credit Cards Internal Audit Report
2. Play and On Track Internal Audit Report
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 Miss Lawrence, Mistry, Pacey-Day and Roodhouse

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). 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

Report Title:	Annual Audit Letter
Name of Committee:	Audit and Ethics Committee
Date:	27 November 2017
Report Director:	Head of Corporate Resources and Chief Financial Officer
Portfolio:	Corporate Resources
Ward Relevance:	All
Prior Consultation:	None
Contact Officer:	Mannie Ketley - Head of Corporate Resources and Chief Financial Officer
Public or Private:	Public
Report subject to Call-In:	No
Corporate Priorities:	All
Statutory / Policy Background:	National Audit Office (NAO)'s Code of Audit Practice (the Code) and Auditor Guidance Note (AGN) 07 –'Auditor Reporting'.
Summary:	The purpose of the annual audit letter is to communicate the key issues arising from the work of the external auditor to Members and external stakeholders, including members of the public.
Financial Implications:	There are no financial implications for this report.
Risk Management Implications:	There are no risk management implications for this report.
Environmental Implications:	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.

Recommendation:

To note the Annual Audit Letter 2016/17 as attached Appendix 1.

Reasons for Recommendation:

Under the statutory Code of Audit Practice, the external auditors are required to issue a report to those charged with governance the conclusions from their audit work.

Audit and Ethics Committee – 27 November 2017

Annual Audit Letter 2016/17

Report of the Head of Corporate Resources and Chief Financial Officer

Recommendation

To note the Annual Audit Letter 2016/17 as attached Appendix 1.

1. Introduction

Each year the Council's external auditors produce an Annual Audit Letter which summarises the key findings arising from their annual assessment of the Council. This Letter is intended to provide a commentary on the results of the work to the Council and its external stakeholders, and to highlight any issues that they wish to draw to the attention of the public.

2. Annual Audit Letter

The annual audit letter is presented at Appendix 1 for the Committee's consideration. Much of the commentary contained within the Letter summarises the detail findings of audit that were presented to the Committee within the Audit Findings Report for 2016/17 at its meeting on 21 September 2017.

The letter also confirms that the fees for the 2016/17 statutory audit were approximately £55,000, the same amount as the fees for 2015/16.

Name of Meeting: Audit and Ethics Committee
Date of Meeting: 27 November 2017
Subject Matter: Annual Audit Letter 2016/17
Originating Department: Corporate Resources

List of Background Papers

There are no background papers relating to this item.



The Annual Audit Letter for Rugby Borough Council

Year ended 31 March 2017

October 2017

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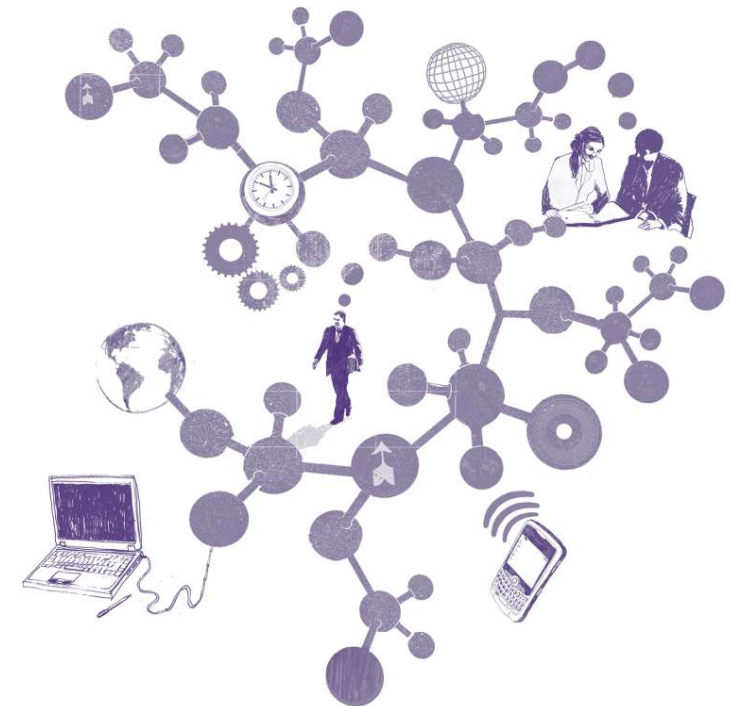
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Executive summary

Purpose of this letter

Our Annual Audit Letter (Letter) summarises the key findings arising from the work we have carried out at Rugby Borough Council (the Council) for the year ended 31 March 2017.

This Letter provides a commentary on the results of our work to the Council and its external stakeholders, and highlights issues we wish to draw to the attention of the public. In preparing this letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice (the Code) and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'.

We reported the detailed findings from our audit work to the Council's Audit and Ethics Committee (whilst the Council are those charged with governance we have determined that the Audit and Ethics Committee is the sub-group with whom we are required to communicate throughout the year) in our Audit Findings Report on 21 September 2017.

Our responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Council's financial statements (section two)
- assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Council's financial statements, we comply with International Standards on Auditing (UK and Ireland) (ISAs) and other guidance issued by the NAO.

Our work

Financial statements opinion

We gave an unqualified opinion on the Council's financial statements on 29 September 2017.

Value for money conclusion

We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources during the year ended 31 March 2017. We reflected this in our audit opinion on 29 September 2017.

Certificate

We certified that we had completed the audit of the accounts of Rugby Borough Council in accordance with the requirements of the Code on 29 September 2017.

Certification of grants

We also carry out work to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. Our work on this claim is not yet complete and will be finalised by 30 November 2017. We will report the results of this work to the Audit and Ethics Committee in our Annual Certification Letter.

Working with the Council

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

Grant Thornton UK LLP
October 2017

Audit of the accounts

Our audit approach

Materiality

In our audit of the Council's accounts, we applied the concept of materiality to determine the nature, timing and extent of our work, and to evaluate the results of our work. We define materiality as the size of any misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for our audit of the Council's accounts to be £1.213 million, which is 2% of the Council's gross revenue expenditure (adjusted for the exceptional change resulting from the change in the Existing Use Social Housing Valuation discount factor this year). We used this benchmark, as in our view, users of the Council's accounts are most interested in how it has spent the income it has raised from taxation and grants during the year.

We also set a lower level of specific materiality for related party transactions and senior officer remuneration.

We set a lower threshold of £61,000, above which we reported errors to the Audit and Ethics Committee in our Audit Findings Report.

The scope of our audit

Our audit involves obtaining enough evidence about the amounts and disclosures in the financial statements to give reasonable assurance they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the Council's accounting policies are appropriate, have been consistently applied and adequately disclosed;
- significant accounting estimates made by the Head of Corporate Resources and Chief Financial Officer are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the narrative report and annual governance statement to check they are consistent with our understanding of the Council and with the accounts included in the Statement of Accounts on which we gave our opinion.

We carry out our audit in line with ISAs (UK and Ireland) and the NAO Code of Audit Practice. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach was based on a thorough understanding of the Council's business and is risk based.

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

Audit of the accounts - Council

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<ul style="list-style-type: none"> • The revenue cycle includes fraudulent transactions • Management over-ride of controls <p>Under ISA (UK&I) 240 there are presumed risks of management over-ride of controls being present in all entities and that revenue may be misstated due to the improper recognition of revenue.</p>	<p>Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at Rugby Borough Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including Rugby Borough Council, mean that all forms of fraud are seen as unacceptable. <p>In respect of management over-ride of controls we reviewed:</p> <ul style="list-style-type: none"> • accounting estimates, judgements and decisions made by management • journal entry process and selection of unusual journal entries for testing back to supporting documentation • unusual significant transactions. 	<p>Our audit work did not identify any issues in respect of revenue recognition or evidence of management over-ride of controls.</p> <p>We reported to management in respect of our identification of a number of self-authorized journals. It is unusual to see these. Our testing provided us with assurance the journals related to the accounts close down procedures and none related to cash transactions. We also did not identify any issues from testing carried out in the relevant areas of the accounts to where the journals were posted.</p> <p>Management confirmed that it is willing to accept the risk of self-authorization given that these journals relate to non-cash related transactions, and that these journals are only raised during year-end closedown and that this will be subject to further consideration by the Audit and Ethics Committee.</p>
<p>Valuation of pension fund net liability</p> <p>The Council's pension fund net asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.</p>	<ul style="list-style-type: none"> • We identified the controls put in place by management to ensure that the pension fund liability is not materially misstated, including provision of information to the actuary. We also assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement. • We reviewed the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We gained an understanding of the basis on which the valuation is carried out. • We undertook procedures to confirm the reasonableness of the actuarial assumptions made. • We reviewed the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary. 	<p>Our audit work did not identify any issues in relation to the valuation of the pension fund net asset and liability.</p> <p>A key part of the work we carry out in relation to this estimate is to confirm the reasonableness of the actuarial assumptions made. Whilst we gained sufficient assurance that these assumptions are reasonable there was limited evidence of demonstrable challenge of the assumptions used and the actuarial output by officers of the Council. As this is a material estimate we have suggested to officers that a more detailed working paper could be produced which compares the estimates as at December used by the actuary to the final year end position published in the accounts. We are satisfied that differences were trivial for 2016/17.</p>

Audit of the accounts - Council

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Changes to the presentation of local authority financial statements</p> <p>Telling the Story' project, for which the aim was to streamline the financial statements and improve accessibility to the user and this has resulted in changes to the 2016/17 Code of Practice.</p> <p>The changes affect the presentation of income and expenditure in the financial statements and associated disclosure notes. A prior period adjustment (PPA) to restate the 2015/16 comparative figures is also required.</p>	<ul style="list-style-type: none"> • We documented and evaluated the process for the recording the required financial reporting changes to the 2016/17 financial statements. • We reviewed the re-classification of the Comprehensive Income and Expenditure Statement (CIES) comparatives to ensure that they were in line with the Authority's internal reporting structure. • We reviewed the appropriateness of the revised grouping of entries within the Movement In Reserves Statement (MIRS). • We tested the classification of income and expenditure for 2016/17 recorded within the Cost of Services section of the CIES. • We tested the completeness of income and expenditure by reviewing the reconciliation of the CIES to the general ledger. • We tested the classification of income and expenditure reported within the new Expenditure and Funding Analysis (EFA) note to the financial statements. • We reviewed the new segmental reporting disclosures within the 2016/17 financial statements to ensure compliance with the CIPFA Code of Practice 	<p>We were satisfied that the CIES and MIRS were appropriately restated; the accounting entries in 2016/17 were materially fairly stated; and that segmental reporting complied with the CIPFA Code of Practice.</p> <p>We agreed with management that a Prior Period Adjustment (PPA) note to restate the 2015/16 comparative figures was required to fully comply with the Code.</p> <p>When management prepared the note they identified that expenditure and income for the Environmental and Public Realm service were both overstated by £1.9m as a result of trading account service recharges being overstated . This amendment had no impact on the net expenditure of £7,567k for that service and thus no impact on the reported outturn for that year. As this corrected an error, we agreed with management that a further PPA disclosure was required for this.</p>

Audit of the accounts

Audit opinion

We gave an unqualified opinion on the Council's accounts on 29 September 2017, in advance of the 30 September 2017 national deadline.

The Council made the accounts available for audit in line with the agreed timetable, and the finance team responded promptly and efficiently to our queries during the audit.

Our audit started earlier than scheduled in prior years and overall completion was ahead of that previously achieved. However, our audit took longer than originally planned. Our experience elsewhere this year has shown that many Councils have sought to achieve faster close primarily by doing the same things earlier. This has achieved significant improvements but has not always got them over the line.

Looking forward, to ensure the Council's internal governance arrangements are complied with and to formally publish the audited accounts by 31 July, mandated from 2018, the timeline for next year needs to be shortened by at least a further two weeks. To achieve the earlier close in 2018 we recommended that officers critically review the processes they have in place for closedown of the accounts and consider how efficiencies can be made by doing things differently. We have started this journey with the Council by highlighting to officers the key areas where we believe processes could be streamlined and we will continue to work with the Council during the year to help it meet the deadline next year.

Issues arising from the audit of the accounts

We reported the key issues from our audit of the accounts of the Council to the Council's Audit and Ethics Committee on 21 September 2017.

In addition to the key audit risks reported above, we identified a number of issues during our audit that we have asked the Council's management to address for the next financial year. Details of these issues are included in Appendix B.

Annual Governance Statement and Narrative Report

We are required to review the Council's Annual Governance Statement and Narrative Report. It published them on its website with the draft accounts in line with the national deadlines.

Both documents were prepared in line with the relevant guidance and were consistent with the supporting evidence provided by the Council and with our knowledge of the Council.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice (the Code), following the guidance issued by the NAO in November 2016 which specified the criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the key risks where we concentrated our work.

The key risks we identified and the work we performed are set out in table below.

Overall VfM conclusion

We are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2017.

Risk identified	Work carried out	Findings and conclusions
<p>Financial Standing The Council presented the updated MTFS 2017/18 to 2019/20 to Cabinet in February 2017. This has a balanced budget for 2017/18 but indicates a forecast budget shortfall totalling £1.07m across 2018/19 and 2019/20. The Senior Management Team are building upon the work already done to identify savings opportunities to find ways of eliminating the shortfall.</p>	<p>We have discussed key strategic challenges and the Council's proposed response. We reviewed reports to members on the:</p> <ul style="list-style-type: none"> a) outturn position for 2016/17 and the budget plans up to 2019/20, and b) The Council's progress in updating its medium term financial strategy and progress against savings plans. 	<p>We found that the Council has:</p> <ul style="list-style-type: none"> • identified and taken account of funding cuts in its medium term financial plans including responding to consultations on changes to the New Home Bonus and 100% Business Rate Retention, both of which will have an impact on the Council, • taken into account the financial impact of demographic trends and other social pressures in its medium term financial plans, and • put plans in place to address the budget shortfalls including making challenging decisions in respect of charges for garden waste and entrance to the Rugby Hall of Fame. <p>On that basis we concluded that the risk was sufficiently mitigated and the Council had proper arrangements in place during 2016/17.</p>

Appendix A: Reports issued and fees

We confirm below our final fees charged for the audit and provision of non-audit services.

Fees

	Proposed fee £	Actual fees £	2015/16 fees £
Statutory audit of Council	54,968	54,968	54,968
Housing Benefit Grant Certification	6,540	TBC	8,149
Total fees (excluding VAT)	61,508	TBC	63,117

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA)

Reports issued

Report	Date issued
Audit Plan	April 2017
Audit Findings Report	September 2017
Annual Audit Letter	October 2017

Fees for other services

Service	Fees £
Audit related services:	
• Pooled capital receipts grant certification (in respect of 2015/16 claim, but billed in 2016/17)	2,025
Non-audit services	Nil

Non-audit services

- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The table above summarises all other services which were identified.
- We have considered whether other services might be perceived as a threat to our independence as the Council's auditor and have ensured that appropriate safeguards are put in place, as reported in our Audit Findings Report.

The above non-audit services are consistent with the Council's policy on the allotment of non-audit work to your auditor and have been approved by the Audit and Ethics Committee.

B. Recommendations

Rec no.	Recommendation	Priority	Management response	Implementation date and responsibility
1.	<p>Management should consider:</p> <ul style="list-style-type: none"> whether it wishes to put in place authorisation processes for journals raised by the Financial Services Manager; or whether it wishes to document why it is willing to accept the risk arising from specific self-authorisation of journals. 	Medium	As discussed, we are satisfied this does not pose a risk. These specific journals do not result in cash transactions. They are only raised as part of closedown to close down non-cash codes or to process information received at year end such as IAS 19 pensions information or in relation to property valuations.	N/A
2.	Officers should consider how they can provide greater evidence of challenge of the work of experts, particularly in relation to material estimates such as the asset valuation and the valuation of pension liabilities.	Low	<p>Management have noted the changed approach by the auditors, which has now placed greater emphasis on evidencing the challenge of the work of experts.</p> <p>With regard to asset valuation management have agreed to modify the specification of our contract with the external valuers, incorporating the requirement to collate more formal documentation capturing discussions and related challenge on their material estimates and assumptions.</p> <p>With regard to pension valuations an approach has been agreed with the County Council, in their role as the administering authority, to supply the further information needed to evidence this challenge.</p>	By 31 December 2017
3.	Finance staff should review how the working papers to support the financial statements are produced and filed, so that they are easy to locate and understand by finance staff who have not been involved in the accounts production process. A quality assurance arrangement should be put in place for all working papers produced which should be appropriately evidenced.	Medium	<p>Management are in agreement with the benefits that such a review of working papers will provide. Officers are working with Grant Thornton and colleagues at other authorities to arrange a working paper workshop, focusing on identifying examples of best practice in the production of working papers that could be adopted at the Council.</p> <p>Management are also in agreement with the benefits of quality assurance (QA) arrangement. However, the adoption needs to be considered within the context of the faster closedown requirements and also the relatively small size of the Council's Financial Services team. Therefore, the Council will look to adopt a risk-based approach to QA focusing initially only on working papers that provide material items with the accounts.</p>	By 31 December 2017

Controls

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

B. Recommendations

Rec no.	Recommendation	Priority	Management response	Implementation date and responsibility
4.	Officers should review year end processes and identify areas where they could be streamlined or undertaken at different times in the year. In particular, where could the accounts rely on greater use of estimates and does the financial reporting system provide the necessary reports to enable an efficient close down.	Medium	<p>The Council will continue to strive for improvements to the closedown process to aid a more efficient and faster closedown. Greater use of estimates will be considered for 2017/18 closedown, alongside other initiatives and process changes, again within the context of a risk-based approach to ensure the material accuracy of the accounts.</p> <p>However, it should be noted that substantial improvements have already been made to the structure of the general ledger for 2016/17 to improve the reporting output of financial reporting system. These improvements have contributed to the Council producing its draft accounts before the end of May, meeting the new requirements a year ahead of schedule.</p>	By 31 December 2017
5.	Management should process misclassification adjustments to the accounts in the general ledger.	Medium	Management have agreed to implement this recommendation. Please note the £71,000 misclassification for the cash suspense item has been processed in the general ledger for 2016/17.	By 31 December 2017

Controls

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice



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AGENDA MANAGEMENT SHEET

Report Title:	Treasury Management Report 2017/18 – Progress Report
Name of Committee:	Audit and Ethics Committee
Date:	21 November 2017
Report Director:	Head of Corporate Resources and Chief Financial Officer
Ward Relevance:	All
Prior Consultation:	Treasury Management Strategy 2017/18 – 2019/20 Council 28 February 2017
Contact Officer:	Mannie Ketley, Head of Corporate Resources and Chief Financial Officer, Tel: 01788 533416
Public or Private:	Public
Corporate Priorities:	All
Statutory/Policy Background:	The Council's Treasury Management activities are strictly regulated by the Local Government Act 2003 and the CIPFA Code of Practice on Treasury Management.
Summary:	The report sets out the Treasury Management activities for the first half of 2017/18.
Financial Implications:	The report ensures that the Council is aware of the current Treasury Management position.
Risk Management Implications:	There are no risk management implications arising from this report.
Environmental Implications:	There are no environmental implications arising from this report.
Legal Implications:	There are no legal implications arising from this report.
Equality and Diversity:	There are no environmental implications arising from this report.

Options: N/A

Recommendation: (1) the report be noted; and
(2) the monitoring and the review of the Treasury Management indicators be agreed.

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

Audit and Ethics Committee – 27 November 2017

Treasury Management Report 2017/18 – Progress Report

Report of the Head of Corporate Resources and Chief Financial Officer

Recommendation

- (1) the report be noted; and
- (2) the monitoring and the review of the Treasury Management indicators be agreed.

1. INTRODUCTION

On 12 April 2016, the Audit and Ethics Committee agreed that scrutiny of the Council's treasury management activities be incorporated into the annual timetable of the Committee. Subsequently treasury management training for the committee members was provided in advance of the meeting on 13 September 2016.

This is a report on the council's treasury management activities for the first half of 2017/18 (the mid-year report).

Following the scrutiny of the mid-year report by the committee, a mid-year report will also be considered by Cabinet and Council on 4 December 2017 and 14 December 2017 respectively. The annual report will be presented to the committee in June 2018.

The Head of Corporate Resources and Chief Financial Officer is pleased to report that all treasury management activity undertaken during the period complied with the approved strategy, the *CIPFA Code of Practice*, and the relevant legislative provisions.

2. BACKGROUND

Treasury Management is defined as:

“ The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks”.

(CIPFA Code of Practice for Treasury Management in the Public Sector)

In addition to its own resources (General Fund and Housing Revenue Account (HRA) balances, capital receipts, etc.) the Council also collects council tax on behalf of Warwickshire County Council, the Office of the Police and Crime Commissioner for Warwickshire, and Parish Councils. This means that at given points of time during the financial year, the Council has significant cash holdings which require management prior to scheduled payment dates to the preceptors. A summary of transactions, and the levels of investments and borrowings held, is contained within this report.

3. ECONOMIC REVIEW APRIL – SEPTEMBER 2017

The first half of 2017/18 has seen UK economic growth moderate to just below 2% and the Bank of England's Quarterly Inflation Report, released in August, suggests that growth will perform within a range of 1.6% to 1.7% through to the end of 2018. Some Monetary Policy Committee (MPC) members have expressed concerns about inflation threatening price stability, particularly with the £ significantly weaker since the June 2016 EU Referendum.

Unemployment, on the Independent Labour Organisation Measure, fell to a 42-year low of 4.4%, and with full-time jobs continuing to be created and vacancy rates also increasing, there is some concern that there will be a squeeze upwards in pay inflation. Currently this is running at 2.1%, but views are divided as to whether this number will move up strongly in the second half of 2017 and in 2018, given the headwinds of: the uncertainties surrounding Brexit talks; a flat-lining housing market; and the household savings ratio having hit an all-time low.

This last point should not be under-estimated, as it suggests that consumers – the mainstay of the UK's economic performance to date – are struggling to cope with rising prices and negative real earnings. It will be important to monitor consumer confidence over the coming months and for the MPC to be careful not to undermine the current levels of growth by pre-emptively increasing Bank Rate beyond the reversal of the emergency monetary stimulus implemented in August 2016. Furthermore, business sentiment surveys suggest the UK will enjoy no more than tepid growth over the coming months.

'Forward guidance' released by the MPC following its meeting on 2 November 2017 indicates Bank Rate will rise only twice more in the next three years to reach 1.0% by 2020.

4. OUTLOOK FOR INTEREST RATES

The Council's treasury advisor, Capita Asset Services, has provided the following forecast:

%	Dec 17	Mar 18	Jun 18	Sep 18	Dec 18	Mar 19	Jun 19	Sep 19	Dec 19	Mar 20
Bank Rate	0.50	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00
5yr PWLB Rate	1.50	1.60	1.60	1.70	1.80	1.80	1.90	1.90	2.00	2.10
10yr PWLB Rate	2.10	2.20	2.30	2.40	2.40	2.50	2.60	2.60	2.70	2.70
25yr PWLB Rate	2.80	2.90	3.00	3.00	3.10	3.10	3.20	3.30	3.30	3.40
50yr PWLB Rate	2.50	2.60	2.70	2.80	2.90	2.90	3.00	3.00	3.10	3.20

5. INTERIM INVESTMENT REPORT AND SUMMARY OF TRANSACTIONS

Interest earned on investments is an important source of income to the Council, and, like fees and charges, provides funding which would otherwise have to be met from increased council tax.

The average investment balance held between April and September 2017 was £67.731m and the average rate of return was 0.93%, 0.69% above the local authority benchmark of 0.24%. This generated investment income of £312,610. The investment income received exceeded the budgeted to date figure by approximately £138,930. Investment income is apportioned between General Fund, HRA, and other reserves (S106, Major Repairs Reserve, etc.) based on average balances and cash-flows during the course of the financial year.

The average debt balance held between April and September 2017 (General Fund and Housing Revenue Account) was £105.271m and the average rate paid was 2.10%, generating interest payable of £1,101,380. Interest payable was slightly lower than the budgeted to date figure by approximately £700.

The latest year end position for 2017/18 for the General Fund net cost of borrowing (interest paid less interest received) is to be £82,470 under budget¹. This is based on the forecast for investment balances to fall during the next six months; for market interest rates to remain static or rise only slightly; and utilising the investment products prescribed in the 2017/18 – 2019/20 investment strategy, as reported to Council on February 28th 2017.

The following table summarises the treasury management transactions undertaken during the first half of this financial year:

	Principal Amount £m	Interest Rate %
Investments		
- as at 31 March 2017	56.770	1.01
- matured in period	72.567	
- arranged in period	<u>94.489</u>	
- as at 30 Sept 2017	78.692	0.95
Debt		
- as at 31 March 2017	101.221	2.30
- matured/repaid in period	9.000	
- arranged in period	<u>17.100</u>	
- as at 30 Sept 20167	109.321²	2.10
Net Investments at 31 March 2017	-44.451	
Net Investments at 30 September 2017	-30.629	

No debt restructuring took place during the period 1st April 2017 to 30th September 2017.

1 Does not include interest received from non-investment sources – i.e. car loans

2 Includes temporary borrowing

6. DEBT MANAGEMENT STRATEGY

The borrowing strategy approved (in February) did not identify a specific need for the Council to borrow this financial year to support the capital programme, but highlighted the diminishing level of capital receipts available to finance the General Fund ‘standard’ capital programme from 2017/18 onwards. The Council will look to match financing with asset life where appropriate and has the option to utilise the Public Works Loan Board (PWLB), other authorities, or ‘internal borrowing’, that is cash supporting the Council’s reserves, balances and cash flow as a temporary measure. The Council continues to monitor the progress of the UK Municipal Bonds Agency (UKMBA), created by the Local Government Association with local authority shareholders.

The outlook for interest rates (see section 1.3) shows a slight rise in PWLB rates over the medium term, although rates remain at historic lows compared to long term trends. The Council has some flexibility to borrow funds this year for use in future years, subject to capital financing requirements, and consideration will be given to undertaking new loans in advance of need where a pre-determined interest cost is important to the whole-life cost of a project. The Housing Revenue Account (HRA) Capital and Revenue estimates for 2018/19 and HRA medium term financial plan contained elsewhere on this agenda indicate that a proportion of HRA self-financing debt will require rescheduling over the period 2018/19 – 2028/29. Officers will review the HRA borrowing pool in light of this

requirement and look to match any refinancing with the cash flow expectations contained within the revised HRA 30-year business plan.

In addition to borrowing from external sources the Council has the option of 'intra-fund' borrowing – that is, loans between the General Fund and Housing Revenue Account (HRA). In consultation with its treasury management advisors the Council will continue to look at this facility over the term of the General Fund Medium Term Financial Plan and the HRA Business Plan to ensure opportunities are maximised.

7. TREASURY MANAGEMENT INDICATORS

The Council measures its exposures to treasury management risks using the following indicators. Council is asked to note the following indicators as at 30th September 2017.

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 0.22% chance of default within 1 year and a 1.21% chance of default within 3 years.

Using these criteria, the Council's overall portfolio at 30th September 2017 had a 0.032% risk of default.

Credit quality	£000's of portfolio at 30 September	Historic Risk of Default (within 1 year)	£000's Estimated loss (weighted by length of investment)
AAA	48,114	0.00%	0
AA-	0	0.06%	0
A-, A, A+	25,578	0.08%	21
BBB+	1,000	0.22%	2
Total/average	74,692¹	0.032%	23

¹ This total excludes investments in property funds which are not categorised by the above methodology.

	Target	Actual	Met?
Historic risk of default	0.25% (max)	0.032%	✓

Liquidity: cash available within 7 days (without penalty)

The Council has adopted a voluntary measure of its ability to access cash at short notice by monitoring the amount of cash available to meet unexpected payments. The target of £2m is based on average cash flow requirements. The actual level of liquid resources is much higher than this and reflects the current low interest rate environment.

	Target	Actual	Met?
Cash available at 7 days' notice (without penalty)	£2m	£19.908m	✓

Interest rate exposures

This indicator is set to control the Council's exposure to interest rate risk – fluctuation in interest rates available for borrowing and investment. The exposures to fixed and variable rate interest rates, expressed as a proportion of net principal borrowed (meaning, investments and borrowing combined) were:

	Limit ¹ £000's	Actual £000's	Met?
Upper limit on fixed rate exposures based on net debt (investments and borrowing combined)	111,000	79,321	✓
Upper limit on variable rate exposures based on net debt (investments and borrowing combined)	0	-37,407	✓

¹ The upper limit on fixed rate exposures has been set at the equivalent of the Council's maximum borrowing requirement less its minimum investment level (or 100%) The upper limit on variable rate exposures has been set to ensure that the Council is not exposed to interest rate rises which could adversely impact on the revenue budget. The limit ensures the use of variable rate debt does not exceed the level of variable rate investments.

Fixed rate investments and borrowings are those where the rate of interest is fixed for 12 months or more. Instruments that mature during the financial year (regardless of their original length) are classed as variable rate. (This is the approach suggested in the Treasury Management Code guidance notes).

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 repayment structure of fixed rate borrowing (loans of 12 months or longer) was:

	Upper Limit	Lower Limit	Actual	Met?
Under 12 months	20%	0%	16%	✓
12 months and within 24 months	30%	0%	20%	✓
24 months and within five years	60%	0%	35%	✓
Five years and within 10 years	60%	0%	8%	✓
10 years to 20 years	75%	0%	2%	✓
20 years to 30 years	75%	0%	5%	✓
30 years +	75%	0%	14%	✓

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

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:

	2017/18	2018/19	2019/20
Limit on principal invested beyond year end	£20.00m	£20.00m	£20.00m
Actual principal invested beyond year end	£16.88xm	£16.88m	£14.88m
Within limit?	✓	✓	✓

Name of Meeting: Audit and Ethics Committee
Date of Meeting: 27 November 2017
Subject Matter: Treasury Management Report 2017/18 – Progress Report
Originating Department: Corporate Resources

LIST OF BACKGROUND PAPERS

Document No.	Date	Description of Document	Officer's Reference	File Reference
1.	28 February 2017	Treasury Management Strategy 2017/18 – 2019/20	MF	

AGENDA MANAGEMENT SHEET

<i>Name of Meeting</i>	Audit and Ethics Committee
<i>Date of Meeting</i>	27 November 2017
<i>Report Title</i>	Internal Audit External Quality Assessment
<i>Portfolio</i>	Corporate Resources
<i>Ward Relevance</i>	None
<i>Prior Consultation</i>	Head of Corporate Resources and Chief Finance Officer
<i>Contact Officer</i>	Chris Green, Corporate Assurance and Improvement Manager, Tel: 01788 533451
<i>Report Subject to Call-in</i>	This report is not subject to Call-In because the Committee has specific responsibility to review the work of the internal audit function and the framework of policies and standards within which it operates.
<i>Statutory/Policy Background</i>	None
<i>Summary</i>	The report sets out the results of the internal audit external quality assessment, and details the progress made so far towards implementing the agreed action plan.
<i>Risk Management Implications</i>	There are no risk management implications arising directly from this report.
<i>Financial Implications</i>	There are no financial implications arising directly from this report.
<i>Environmental Implications</i>	There are no environmental implications arising from this report.
<i>Equality and Diversity</i>	There are no equality and diversity implications arising from this report.
<i>Legal Implications</i>	There are no legal implications arising from this report.
<i>Recommendations</i>	<ol style="list-style-type: none">1. That the results of the external quality assessment be noted.2. That Cabinet is recommended to NOTE the results of the external quality assessment.

3. That the progress towards implementing the agreed actions arising from the external quality assessment be noted.
4. That the updated internal audit charter be approved.
5. That the internal audit quality assurance and improvement programme be approved.

Reasons for Recommendations

To comply with the requirements of the terms of reference of the Audit and Ethics Committee, and to discharge the Committee's responsibilities under the Constitution.

Audit and Ethics Committee – 27 November 2017

Internal Audit External Quality Assessment

Report of the Head of Corporate Resources and Chief Finance Officer

Recommendations

1. That the results of the external quality assessment be noted.
2. That Cabinet is recommended to NOTE the results of the external quality assessment.
3. That the progress towards implementing the agreed actions arising from the external quality assessment be noted.
4. That the updated internal audit charter be approved.
5. That the internal audit quality assurance and improvement programme be approved.

1. Report

- 1.1 The Public Sector Internal Audit Standards, introduced in April 2013, require that an independent external assessment of the internal audit service be carried out every five years. That assessment can be in the form of a full external quality review, or an independently validated self-assessment. The Council opted for a full external quality review, which is arguably more comprehensive.
- 1.2 The Audit and Ethics Committee approved the commissioning of Tilia Solutions to deliver the external assessment, which was completed in September 2017 with the final report being issued in October 2017.
- 1.3 **The full report is included at Appendix A and concludes that there are “no areas of non-compliance with the standards that would affect the overall scope or operation of the internal audit activity. Significant progress has been made over the last two years to update the audit approach”.** The report also highlighted “some minor actions needed to ensure full compliance with the standards, especially to makes the terms of reference more explicit”. An action plan has been agreed, which is being delivered by the Corporate Assurance and Improvement Manager. See Appendix B.
- 1.4 Significant progress has already been made towards delivering the action plan. Six of the ten formal recommendations have been implemented and four of the nine suggestions have been implemented. An update on the progress made is included at Appendix B. It is expected that the full action plan will be completed by May 2018 and the Committee should have confidence that from this date the Council will be operating in full compliance with the standards. A progress update will be provided to each meeting of the Committee until the action plan is completed, and the Head of Corporate Resources and Chief Finance Officer is supervising delivery of the action plan.

- 1.5 The internal audit charter has been updated as agreed in the action plan. Members are asked to approve the revised charter which is included at Appendix C. The key changes to the charter are:
- To specifically define assurance and consultancy work.
 - To set out the Core Principles for the professional practice of internal auditing in the public sector.
 - An explanation of how internal audit resource requirements are assessed.
 - An explanation of the role of internal audit in relation to fraud.
 - To set out the safeguards agreed by the Committee in June 2017, designed to ensure that the independence and objectivity of the internal audit function are not compromised by the Corporate Assurance and Improvement Manager having responsibilities outside of internal audit.
- 1.6 In accordance with the agreed action plan the Corporate Assurance and Improvement Manager has drafted a Quality Assurance and Improvement Programme; this is included at Appendix D and Members are asked to approve it. The Programme sets out how quality assurance and improvement is delivered for the internal audit service – through ongoing reviews, periodic reviews and external assessments. The Programme includes annual self-assessments against the Public Sector Internal Audit Standards and Committee members will be invited to participate in these assessments alongside other members of staff as appropriate.

Name of Meeting: Audit and Ethics Committee
Date of Meeting: 27 November 2017
Subject Matter: Internal Audit External Quality Assessment
Originating Department: Corporate Assurance and Improvement

LIST OF BACKGROUND PAPERS

Document No.	Date	Description of Document	Officer's Reference	File Reference
Appendix A	27/11/2017	Full External Quality Assessment Report		
Appendix B	27/11/2017	EQA Action Plan Progress Update		
Appendix C	27/11/2017	Updated Internal Audit Charter		
Appendix D	27/11/2017	Quality Assurance and Improvement Programme		

Tilia Solutions
CORPORATE GOVERNANCE CONSULTANCY



FINAL

**Review of the Internal Audit Function
at
Rugby Borough Council**

20 October 2017

Elizabeth Humphrey CPFA

Review of Rugby Borough Council's Internal Audit function (September 2017)

Internal audit within the public sector in the United Kingdom is governed by the Public Sector Internal Audit Standards (PSIAS) which have been in place since 1 April 2013, were revised on 1 April 2016 and have been further revised on 1 April 2017. The standards require periodic self-assessments and an assessment by an external person every five years. Now that Rugby Borough Council's audit function has been operating under the standards for over four years and the head of audit (the Corporate Assurance and Improvement Manager) has been in post for almost two years, this was deemed a good time for the first external review. The review also included checking compliance with the Local Government Advisory Note (LGAN) where this has requirements in addition to those in the PSIAS.

The review was carried out through a process of interview and document review. A list of interviewees is included at appendix 2. I should like to thank all those who took the time to talk to me for their help. I reviewed seven audits carried out during the 2015/16, 2016/17 and 2017/18 financial years and I examined key documents including the Charter and reports to the Audit and Ethics Committee (referred to as A&E below).

I identified no areas of non-compliance with the standards that would affect the overall scope or operation of the internal audit activity. Significant progress has been made over the last two years to update the audit approach. There remain some minor actions needed to ensure full compliance with the standards, especially to make the terms of reference more explicit, and I have made some practical and pragmatic medium priority recommendations (R) and lower priority suggestions (S) to support this. The Corporate Assurance and Improvement Manager (referred to as the CAE below) will need to take action to implement them and an action plan is included as appendix 1.

Summary findings and recommendations

Standard	Compliance	Findings	Recommendations and suggestions	Rec no
Mission	Complies	The Charter includes the newly developed internal audit mission		
Core principles of internal audit	Complies	No significant problems were identified with following the Core Principles and the work to be undertaken by the Assurance and Improvement team regarding bringing together the Council's strategic plans, risks and performance into a corporate dashboard will help. Addressing some of the matters highlighted below will also support the Principles further	See R3, R4, S8 and S9	

Standard	Compliance	Findings	Recommendations and suggestions	Rec no
Code of Ethics	Complies	All interviewees stressed the emphasis placed on ethics by the audit team and their independence and objectivity The audit manual contains a link to the Principles of Public Life rather than details of the principles	Strengthen the emphasis placed on ethics by discussing the implications of the Code in team meetings Include full details of the Principles of Public Life in the manual	S1 S2
Attribute standards				
1000 Purpose, authority and responsibility	Partial	Standards 1000.AI and 1000.CI There is no definition of the nature of assurance and consultancy work in the Charter Standard 1010 There is no reference to the Core Principles in the Charter There is no detail about how resource requirements are assessed in the Charter The Charter refers to fraud being part of the function's role but does not explain the role of audit in relation to fraud	Revise the charter to: <ul style="list-style-type: none"> • Include definitions of assurance and consultancy work, making the link to assurance more explicit and making the link to the annual audit opinion • Include information about the Core Principles, showing how audit delivers against them • Explain how resource requirements are assessed, including the role of external providers • Include information on audit's role in relation to fraud, stating that it does not have a responsibility to identify cases of fraud 	RI
1100 Independence and objectivity	Complies	Several different activities come under the leadership of the CAE and appropriate safeguards to manage these have been put in place Standard 1110 There is no annual confirmation of independence to the A&E Standard 1111 The CAE has free access to the A&E chair and members but does not meet the committee in private formally	Include a positive confirmation of audit's independence in the annual audit report Introduce annual formal private meetings between the A&E and the CAE	R2 S3

Standard	Compliance	Findings	Recommendations and suggestions	Rec no
1200 Proficiency and due professional care	Complies	Standard 1220.A1 The annual audit plan considers the complexity, materiality and significance of those items included in the plan, but this information is not included in the planning for individual audits	Include relevant information from the annual plan in terms of reference for individual audits to emphasise their focus	R3
		Standard 1220.A2 In common with many small audit teams, the function does not use specialist data analysis tools	Ask the IT audit contractor if they could undertake data analysis activities	S4
1300 Quality assurance and improvement programme	Partial	Standard 1310 and 1311 and LGAN p12 Quality assurance activities are undertaken but there is no over-arching strategy (QAIP) showing how the different activities link together, when they should be undertaken, who should be involved or their scope	Include details in the QAIP regarding the conduct of QAIP reviews, including how often, who is involved and their scope. Invite A&E members and other appropriate staff to be included in the quality assurance programme periodically	R4 S5
		LGAN p13 Performance indicators are now in place for the service and have been reported. They should be reported over time, showing trends	Ensure that performance indicators reported in the Annual Audit Report show trends over time	R5
		Performance standards		
2000 Managing the internal audit activity	Complies	The audit process is well managed, reflecting the work that has been undertaken recently. The planned work to link the Council's strategic objectives, risk and performance will support the risk-focus of the audit plan Standard 2050 There are plans to undertake an assurance mapping exercise. In the meantime, the audit opinion could be supported by greater understanding of the sources of assurance in relation to IT	Discuss assurance providers, including external audit, with IT to identify all possible sources of assurance and report this work to the A&E	S6

Standard	Compliance	Findings	Recommendations and suggestions	Rec no
		LGAN p17 The audit manual does not show the process to follow when serious issues are identified during an audit	Include details in the manual of the process to follow when serious interim findings are identified during an audit	R6
2100 Nature of work	Complies	<p>Standard 2110.A1 Aspects of ethical activities have been audited but coverage could be broader</p> <p>Standard 2110.A2 IT audit is provided by a contractor, internally and also by external audit. Planning this work together would be a more efficient use of resources and also provide greater assurance on IT</p> <p>Standard 2120.A2 Consideration of fraud risks has recently been added to the audit terms of reference but they are not ruled out explicitly when they are not relevant to the scope of an audit</p> <p>Standard 2120.A3 and LGAN p20 Risk registers are updated if risks are identified in audits but this is done by the CAE, diluting the responsibility of risk owners</p> <p>Standard 2130.A1 There is no explicit link made between audits and the delivery of the Council's strategic objectives</p>	<p>Include examination of ethical issues in all relevant audits, bringing this work together at the year end to form an opinion on ethical activities See S6</p> <p>Ensure that fraud risks are ruled out explicitly if they are not relevant to a planned audit</p> <p>Ensure risk owners take responsibility for updating risk registers as necessary following audits</p> <p>Make the link between organisational objectives, audits and audit plans clear in the terms of reference</p>	<p>R3</p> <p>S7</p> <p>R3</p> <p>R7</p> <p>R3</p>
2200 Engagement planning	Partial	<p>Standards 2201 and 2210 The audit terms of reference does not always cover:</p> <ul style="list-style-type: none"> Strategies and objectives of the activity being reviewed 	Expand the audit terms of reference as indicated	R3

Standard	Compliance	Findings	Recommendations and suggestions	Rec no
		<ul style="list-style-type: none"> How the activity controls its performance The framework used by the activity to manage its governance, risk and control processes The probability of errors and non-compliance Opportunities to add value <p>The use of the Council's risk management approach on the terms of reference, including risk scoring and consequences, is excellent practice and could be improved by considering the causes of risks in addition</p>	Include risk causes in the terms of reference	R3
2300 Performing the engagement	Complies	The review showed that audits are well-performed and clearly documented		
2400 Communicating the results	Partial	<p>Standard 2420 Audit reports are long, with repeated text, and generally, but not consistently, written in the third person</p> <p>Standard 2440.AI and CI Reports do not include the name of the CAE and may not be sent out by him</p> <p>Standard 2450 The annual internal audit opinion should conclude on the organisation's governance, risk and control arrangements. The annual report refers only to control while the AGS refers to governance and control</p>	<p>Consider writing reports in the first person to improve ownership and ease reading Reduce duplication in reports between the summary, detail and action plans</p> <p>At the very least, include the CAE's name on audit reports</p> <p>The annual audit opinion should cover risk management, controls and governance. If no conclusion can be drawn on a specific area, then that should be identified</p>	<p>S8</p> <p>S9</p> <p>R8</p> <p>R9</p>
2500 Monitoring progress	Complies	The follow-up process as set out in the manual complies with the standards but it was not entirely clear	Specify, both in the audit manual and in audit reports, which recommendations will	R10

Standard	Compliance	Findings	Recommendations and suggestions	Rec no
		which recommendations would always be followed up and those interviewed all had a slightly different understanding of the process	always be followed up and ensure that the A&E and auditees understand the process	
2600 Communicating the acceptance of risks	Complies	There was no evidence that risks have been left unmitigated following an audit, highlighting the importance placed by the officers at the Council on audit findings		

The Corporate Assurance and Improvement Manager has details of the findings, standard by standard.

Elizabeth Humphrey CPFA

Appendix I: action plan

Recommendations

No	Recommendation	Response	Responsible officer	Action date
R1	Revise the charter to: <ul style="list-style-type: none"> • Include definitions of assurance and consultancy work, making the link to assurance more explicit and making the link to the annual audit opinion • Include information about the Core Principles, showing how audit delivers against them • Explain how resource requirements are assessed, including the role of external providers • Include information on audit's role in relation to fraud, stating that it does not have a responsibility to identify cases of fraud 	Agreed; the Charter will be updated to include: <ul style="list-style-type: none"> • the required definitions; • information about the Core Principles for the Professional Practice of Internal Auditing and how audit delivers against them; • an explanation of how resource requirements are assessed, including the role of external providers; • an explanation of audit's role in relation to fraud. <p>The updated Charter will be communicated to the Senior Management Team and submitted to the Audit & Ethics Committee for endorsement at the November 2017 meeting.</p>	Corporate Assurance and Improvement Manager	30/11/17
R2	Include a positive confirmation of audit's independence in the annual audit report	Agreed; the latest report included a statement of how internal audit demonstrates its independence but did not explicitly state that it was independent. Will ensure that the annual report contains an explicit statement for 2017/18 onwards.	Corporate Assurance and Improvement Manager	31/05/18
R3	Expand the audit terms of reference to include: <ul style="list-style-type: none"> • Relevant information from the annual audit plan to emphasise their focus • Examination of ethical arrangements, where relevant 	Agreed; the standard terms of reference template will be expanded to incorporate the recommended additions. The update template will then be used for all assurance assignments.	Corporate Assurance and Improvement Manager	30/11/17

No	Recommendation	Response	Responsible officer	Action date
	<ul style="list-style-type: none"> • Ruling out of fraud risks explicitly if they are not relevant to a planned audit • A clear link between organisational objectives, audits and audit plans • Strategies and objectives of the activity being reviewed • How the activity controls its performance • The framework used by the activity to manage its governance, risk and control processes • The probability of errors and non-compliance • Opportunities to add value • Risk causes 			
R4	Include details in the QAIP regarding the conduct of QAIP reviews, including how often, who is involved and their scope	Agreed; an overarching Quality Assurance and Improvement Programme will be communicated to the Senior Management Team and presented to the next meeting of the Audit & Ethics Committee.	Corporate Assurance and Improvement Manager	30/11/17
R5	Ensure that performance indicators reported in the Annual Audit Report show trends over time	Agreed; this will be incorporated within routine progress reports and the annual report once sufficient comparative data is available.	Corporate Assurance and Improvement Manager	31/05/18
R6	Include details in the manual of the process to follow when serious interim findings are identified during an audit	Agreed; the audit manual will be updated to document the process in place.	Corporate Assurance and Improvement Manager	30/11/17
R7	Ensure risk owners take responsibility for updating risk registers as necessary following audits	Agreed; this will be communicated via the Corporate Management Forum.	Corporate Assurance and Improvement Manager	31/12/17

No	Recommendation	Response	Responsible officer	Action date
R8	At the very least, include the CAE's name on audit reports	Agreed; this will be implemented for all future final audit reports.	Corporate Assurance and Improvement Manager	30/11/17
R9	The annual audit opinion should cover risk management, controls and governance. If no conclusion can be drawn on a specific area, then that should be identified	Agreed; the opinion statement will be expanded for 2017/18 onwards.	Corporate Assurance and Improvement Manager	31/05/18
R10	Specify, both in the audit manual and in audit reports, which recommendations will always be followed up and ensure that the A&E and auditees understand the process	Agreed; the audit manual will be updated as recommended. Auditees will be advised of the process via the Corporate Management Forum.	Corporate Assurance and Improvement Manager	31/12/17

Suggestions

No	Suggestion	Response	Responsible officer	Action date
S1	Strengthen the emphasis placed on ethics by discussing the implications of the Code in team meetings	Agreed; will include a session on the Code in an upcoming team meeting and periodically thereafter.	Corporate Assurance and Improvement Manager	31/12/17
S2	Include full details of the Principles of Public Life in the manual	Agreed; at present the Manual contains a link to the seven principles but the full details will be included.	Corporate Assurance and Improvement Manager	30/11/17
S3	Introduce annual formal private meetings between the A&E and the CAE	Agreed; will discuss with the Chair and Vice Chair and schedule an annual private meeting.	Corporate Assurance and Improvement Manager	31/03/18
S4	Ask the IT audit contractor if they could to undertake data analysis activities	Agreed in Principle – this will depend on the nature of the assurance work being undertaken. Where deemed relevant, the IT audit contractor will be asked to support data analysis activity.	Corporate Assurance and Improvement Manager	31/03/18
S5	Invite A&E members and other appropriate staff to be included in the quality assurance programme periodically	Agreed; this will be considered and incorporated within the overarching QAIP to be presented to the Audit & Ethics Committee in November 2017.	Corporate Assurance and Improvement Manager	30/11/17
S6	Discuss assurance providers, including external audit, with IT to identify all possible sources of assurance and report this work to the A&E	<p>Agreed; a preliminary discussion has already been held with the IT Auditor and Corporate ICT Manager and it is considered that there is no overlap between the IT work of internal audit and external audit for the current year – although there may have been previously. A further meeting has been arranged for 06/11/17 to formally consider assurances which may already be provided by other external sources, and the nature of those assurances. Duplicated assurance will be avoided.</p> <p>The outcome of this work will be reported to the Audit & Ethics Committee including information on the various sources of assurance and the nature of that assurance.</p>	Corporate Assurance and Improvement Manager	30/11/17

No	Suggestion	Response	Responsible officer	Action date
S7	Bring work on ethical arrangements together at the year end to form an opinion on ethical activities	Agreed; this will be incorporated within the next annual report.	Corporate Assurance and Improvement Manager	31/05/18
S8	Consider writing reports in the first person to improve ownership and ease reading	Agreed; this will be implemented for all future audit reports.	Corporate Assurance and Improvement Manager	30/11/17
S9	Reduce duplication in reports between the summary, detail and action plans	Agreed; the content of reports will be reviewed and duplication removed. This will be implemented for all future audit reports.	Corporate Assurance and Improvement Manager	30/11/17

Appendix 2: interviewees

Person	Position
Chris Blundell	Financial Services Manager and Deputy Chief Finance Officer
P Dudfield	Chairman, Audit and Ethics Committee
J Eaves	Vice-Chairman, Audit and Ethics Committee
Steve Garrison	Democratic Services Manager and Monitoring Officer
Chris Green	Corporate Assurance and Improvement Manager
Mannie Ketley	Head of Corporate Resources and Chief Finance Officer
Debbie McCarthy	Customer and Business Support Services Manager
Adam Norburn	Executive Director and Head of Paid Service
Minakshee Patel	Equalities and Diversity Advisor
Andy Singleton	Corporate ICT Manager
Pamela Thomas	Auditor

APPENDIX B – UPDATE ON DELIVERY OF ACTION PLAN ARISING FROM THE INTERNAL AUDIT EXTERNAL QUALITY ASSESSMENT

No	Recommendation	Response	Responsible Officer	Agreed Action Date	Progress Update
R1	<p>Revise the charter to:</p> <ul style="list-style-type: none"> • Include definitions of assurance and consultancy work, making the link to assurance more explicit and making the link to the annual audit opinion • Include information about the Core Principles, showing how audit delivers against them • Explain how resource requirements are assessed, including the role of external providers • Include information on audit’s role in relation to fraud, stating that it does not have a responsibility to identify cases of fraud 	<p>Agreed; the Charter will be updated to include:</p> <ul style="list-style-type: none"> • the required definitions; • information about the Core Principles for the Professional Practice of Internal Auditing and how audit delivers against them; • an explanation of how resource requirements are assessed, including the role of external providers; and • an explanation of audit’s role in relation to fraud. <p>The updated Charter will be communicated to the Senior Management Team and submitted to the Audit & Ethics Committee for endorsement at the November 2017 meeting.</p>	Corporate Assurance and Improvement Manager	30/11/2017	<p>ACTION IMPLEMENTED</p> <p>The updated Charter is presented to this meeting of the Audit & Ethics Committee (A&E) for approval. See Appendix C to this report.</p> <p>The updated Charter will be communicated to SMT by the end of November 2017.</p>
R2	<p>Include a positive confirmation of audit’s independence in the annual audit report</p>	<p>Agreed; the latest report included a statement of how internal audit demonstrates its independence but did not explicitly state that it was independent. Will ensure that the annual report contains an explicit statement for 2017/18 onwards.</p>	Corporate Assurance and Improvement Manager	31/05/2018	<p>This will be addressed when the next annual report is written in May 2018.</p>

APPENDIX B – UPDATE ON DELIVERY OF ACTION PLAN ARISING FROM THE INTERNAL AUDIT EXTERNAL QUALITY ASSESSMENT

<u>No</u>	<u>Recommendation</u>	<u>Response</u>	<u>Responsible Officer</u>	<u>Agreed Action Date</u>	<u>Progress Update</u>
R3	<p>Expand the audit terms of reference to include:</p> <ul style="list-style-type: none"> • Relevant information from the annual audit plan to emphasise their focus • Examination of ethical arrangements, where relevant • Ruling out of fraud risks explicitly if they are not relevant to a planned audit • A clear link between organisational objectives, audits and audit plans • Strategies and objectives of the activity being reviewed • How the activity controls its performance • The framework used by the activity to manage its governance, risk and control processes • The probability of errors and non-compliance • Opportunities to add value • Risk causes 	<p>Agreed; the standard terms of reference template will be expanded to incorporate the recommended additions. The update template will then be used for all assurance assignments.</p>	<p>Corporate Assurance and Improvement Manager</p>	<p>30/11/2017</p>	<p>ACTION IMPLEMENTED</p> <p>The standard terms of reference has been updated to incorporate the recommended additions.</p>

APPENDIX B – UPDATE ON DELIVERY OF ACTION PLAN ARISING FROM THE INTERNAL AUDIT EXTERNAL QUALITY ASSESSMENT

No	Recommendation	Response	Responsible Officer	Agreed Action Date	Progress Update
R4	Include details in the Quality Assurance and Improvement Programme (QAIP) regarding the conduct of QAIP reviews, including how often, who is involved and their scope	Agreed; an overarching QAIP will be communicated to the Senior Management Team and presented to the next meeting of the Audit & Ethics Committee.	Corporate Assurance and Improvement Manager	30/11/2017	ACTION IMPLEMENTED QAIP presented to this meeting of the Audit & Ethics Committee for approval. See Appendix D. The QAIP will be shared with SMT by the end of November.
R5	Ensure that performance indicators reported in the Annual Audit Report show trends over time	Agreed; this will be incorporated within routine progress reports and the annual report once sufficient comparative data is available.	Corporate Assurance and Improvement Manager	31/05/2018	This will be addressed when the next annual report is written in May 2018.
R6	Include details in the manual of the process to follow when serious interim findings are identified during an audit	Agreed; the audit manual will be updated to document the process in place.	Corporate Assurance and Improvement Manager	30/11/2017	ACTION IMPLEMENTED Audit manual has been updated as agreed.
R7	Ensure risk owners take responsibility for updating risk registers as necessary following audits	Agreed; this will be communicated via the Corporate Management Forum.	Corporate Assurance and Improvement Manager	31/12/2017	Not yet implemented.
R8	At the very least, include the Chief Audit Executive (CAE)'s name on audit reports	Agreed; this will be implemented for all future final audit reports.	Corporate Assurance and Improvement Manager	30/11/2017	ACTION IMPLEMENTED The standard audit report template has been updated to include the name of the Corporate Assurance and Improvement Manager.

APPENDIX B – UPDATE ON DELIVERY OF ACTION PLAN ARISING FROM THE INTERNAL AUDIT EXTERNAL QUALITY ASSESSMENT

No	Recommendation	Response	Responsible Officer	Agreed Action Date	Progress Update
R9	The annual audit opinion should cover risk management, controls and governance. If no conclusion can be drawn on a specific area, then that should be identified	Agreed; the opinion statement will be expanded for 2017/18 onwards.	Corporate Assurance and Improvement Manager	31/05/2018	This will be addressed when the next annual report is written in May 2018.
R10	Specify, both in the audit manual and in audit reports, which recommendations will always be followed up and ensure that the A&E and auditees understand the process	Agreed; the audit manual will be updated as recommended. Auditees will be advised of the process via the Corporate Management Forum.		30/11/2017	ACTION IMPLEMENTED The audit manual has been updated as agreed. The process was communicated to all managers on 26/10/2017.

APPENDIX B – UPDATE ON DELIVERY OF ACTION PLAN ARISING FROM THE INTERNAL AUDIT EXTERNAL QUALITY ASSESSMENT

No	Suggestion	Response	Responsible Officer	Agreed Action Date	Progress Update
S1	Strengthen the emphasis placed on ethics by discussing the implications of the Code in team meetings.	Agreed; will include a session on the Code in an upcoming team meeting and periodically thereafter.	Corporate Assurance and Improvement Manager	31/12/2017	Not yet implemented.
S2	Include full details of the Principles of Public Life in the manual	Agreed; at present the manual contains a link to the seven principles but the full details will be included.	Corporate Assurance and Improvement Manager	30/11/2017	ACTION IMPLEMENTED The audit manual has been updated as agreed.
S3	Introduce annual formal private meetings between the A&E and the CAE	Agreed; will discuss with the Chair and Vice Chair and schedule an annual private meeting.	Corporate Assurance and Improvement Manager	31/03/2018	Meeting arranged for 27/11/2017.
S4	Ask the IT audit contractor if they could to undertake data analysis activities	Agreed in principle – this will depend on the nature of the assurance work being undertaken. Where deemed relevant, the IT audit contractor will be asked to support data analysis activity.	Corporate Assurance and Improvement Manager	31/03/2018	Not yet implemented. This will depend on the content of next year’s internal audit plan. There are no remaining audits in the current year plan that would lend themselves to this approach.
S5	Invite A&E members and other appropriate staff to be included in the quality assurance programme periodically	Agreed; this will be considered and incorporated within the overarching QAIP to be presented to the A&E Committee in November 2017.	Corporate Assurance and Improvement Manager	30/11/2017	ACTION IMPLEMENTED This has been incorporated within the Quality Assurance and Improvement Programme.

APPENDIX B – UPDATE ON DELIVERY OF ACTION PLAN ARISING FROM THE INTERNAL AUDIT EXTERNAL QUALITY ASSESSMENT

No	<u>Suggestion</u>	<u>Response</u>	<u>Responsible Officer</u>	<u>Agreed Action Date</u>	<u>Progress Update</u>
S6	Discuss assurance providers, including external audit, with IT to identify all possible sources of assurance and report this work to the A&E	Agreed; a preliminary discussion has already been held with the IT Auditor and Corporate ICT Manager and it is considered that there is no overlap between the IT work of internal audit and external audit for the current year – although there may have been previously. A further meeting has been arranged for 06/11/17 to formally consider assurances which may already be provided by other external sources, and the nature of those assurances. Duplicated assurance will be avoided. The outcome of this work will be reported to the Audit & Ethics Committee including information on the various sources of assurance and the nature of that assurance.	Corporate Assurance and Improvement Manager	30/11/2017	A verbal update will be provided at the Committee meeting on 27/11/17.
S7	Bring work on ethical arrangements together at the year end to form an opinion on ethical activities	Agreed; this will be incorporated within the next annual report.	Corporate Assurance and Improvement Manager	31/05/2018	This will be addressed when the next annual report is written in May 2018.

APPENDIX B – UPDATE ON DELIVERY OF ACTION PLAN ARISING FROM THE INTERNAL AUDIT EXTERNAL QUALITY ASSESSMENT

No	<u>Suggestion</u>	<u>Response</u>	<u>Responsible Officer</u>	<u>Agreed Action Date</u>	<u>Progress Update</u>
S8	Consider writing reports in the first person to improve ownership and ease reading	Agreed; this will be implemented for all future audit reports.	Corporate Assurance and Improvement Manager	30/11/2017	ACTION CLOSED It has been advised that the Council's adopted approach is to write reports in the third person and accordingly this practice will continue.
S9	Reduce duplication in reports between the summary, detail and action plans	Agreed; the content of reports will be reviewed and duplication removed. This will be implemented for all future audit reports.	Corporate Assurance and Improvement Manager	30/11/2017	ACTION IMPLEMENTED The standard audit report template has been updated to reduce the level of duplication in the audit findings.



Appendix C

INTERNAL AUDIT CHARTER

NOVEMBER 2017

PROUD OF OUR PAST, FIT FOR THE FUTURE



RUGBY BOROUGH COUNCIL INTERNAL AUDIT CHARTER

Purpose

This Charter formally defines the purpose, mission, authority and responsibility of Internal Audit within Rugby Borough Council and outlines the scope of the Council's internal audit work.

The Audit Charter complies with the mandatory elements of the Public Sector Internal Audit Standards (the Standards).

Definitions

The Standards set out the requirements of a 'Board' and of 'senior management'. For the purposes of the internal audit activity within Rugby Borough Council, the role of the Board within the Standards is taken by the Council's Audit and Ethics Committee and 'senior management' is the Council's Senior Management Team.

The Standards define the responsibilities of the Chief Audit Executive. The responsibilities of the Chief Audit Executive are discharged by the Corporate Assurance and Improvement Manager (CAIM).

Role

Internal Audit is a statutory service in the context of The Accounts and Audit (England) Regulations 2011, which state:

6.-(1) A relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.

In addition, The Local Government Act 1972, Section 151, requires every local authority to designate an officer to be responsible for the proper administration of its financial affairs. In Rugby Borough Council, the Head of Corporate Resources and Chief Finance Officer is the 'Section 151 Officer'. One of the ways in which this duty is discharged is by maintaining an 'adequate and effective internal audit service'. Internal Audit is defined by the Public Sector Internal Audit Standards as:

'An independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.'

Mission



The mission of Internal Audit is to enhance and protect Rugby Borough Council's organisational value by providing risk-based and objective assurance, advice and insight.

Nature of Work Carried Out

The Internal Audit service delivers a range of assurance, consultancy and fraud investigation work.

Assurance Work

This is an objective examination of evidence for the purpose of providing an independent assessment on governance, risk management and control processes for the Council. Examples include finance, performance, system security and health and safety compliance.

Consultancy Work

This is service related advisory activity, the nature and scope of which is agreed with the client in advance. Such work is intended to add value and improve the Council's governance, risk management and control processes without the internal auditor assuming management responsibility. Examples include formal advice, facilitation and training, and reviewing changes to key internal controls prior to their implementation.

Where consultancy and advisory work provides assurance, this will be used in forming the annual opinion of the Corporate Assurance and Improvement Manager. The annual opinion will be reported annually to Senior Management and the Audit and Ethics Committee, and the basis of the opinion provided will be set out within the annual report.

The Role of Internal Audit in Relation to Fraud

Managing the risk of fraud and corruption is the responsibility of management. In accordance with the Anti-Fraud, Bribery and Corruption Strategy and the Fraud Response Plan, the Corporate Assurance and Improvement Manager should be notified of all suspected or detected fraud, corruption or impropriety, to inform their opinion on the internal control environment and the audit programme. At the request of Management, Internal Audit may go beyond the work needed to meet its assurance responsibilities and assist with, for example, the investigation of suspected fraud or corruption.

Internal Audit does not have responsibility for the prevention of fraud and corruption. Auditors will be alert in all their work to risks and exposures that could allow fraud or corruption and to any indications that fraud or corruption may have been occurring. Audit procedures alone, even when performed with due professional care, do not guarantee that fraud or corruption will be detected.

Professionalism

Internal Audit will adhere to the mandatory guidance published by The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors (IIA) including the Definition of Internal Auditing, the Code of Ethics, and the Public Sector Internal Audit Standards. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing within the public sector (the Core Principles) and for evaluating the effectiveness of Internal Audit's performance. The Core Principles are as follows:

- Demonstrates integrity
- Demonstrates competence and due professional care
- Objectiveness and freedom from undue influence (independence)
- Alignment with the strategies, objectives and risks of the organisation
- Appropriate positioning within the organisation and adequate resourcing
- Demonstrates quality and continuous improvement
- Communicates effectively
- Provides risk based assurance
- Is insightful, proactive and future focussed
- Promotes organisational improvement

In addition, the service will adhere to Rugby Borough Council's relevant policies and procedures and the Internal Audit Manual.

Authority

The Internal Audit Service, with strict accountability for confidentiality and safeguarding records and information, are authorised full, free, and unrestricted access to any and all of the Council's records, physical properties, and personnel pertinent to carrying out the assignment.

All employees are requested and required to assist the service in fulfilling its roles and responsibilities. This is enforced in the Accounts and Audit (England) Regulations 2011 section 6(2) which state that:

'Any officer or member of a public body must, if the body requires:



*(a) Make available such documents and records as appear to that body to be necessary for the purposes of the audit; and
(b) Supply the body with such information and explanation as that body considers necessary for that purpose'.*

For the purposes of internal audit activity, the Corporate Assurance and Improvement Manager will also have free and unrestricted access to the Council's Audit and Ethics Committee.

Organisation

The Corporate Assurance and Improvement Manager reports functionally to the Audit and Ethics Committee on such items as:

- Approving the Internal Audit Charter;
- Approving the risk-based Annual Internal Audit Plan;
- Service performance against the Plan and other matters;
- Approving the Corporate Assurance and Improvement Manager's Annual Report; and
- Approving the review of the effectiveness of the system of Internal Audit.

The Corporate Assurance and Improvement Manager has direct access to the Chair of the Audit and Ethics Committee and has the opportunity to meet with the Audit and Ethics Committee in private.

The Internal Audit service is managed by the Corporate Assurance and Improvement Manager who is professionally qualified. The Corporate Assurance and Improvement Manager reports directly to the Head of Corporate Resources and Chief Finance Officer. The Corporate Assurance and Improvement Manager also reports to the Executive Director and the Council through its Audit and Ethics Committee, which has responsibility for overseeing the audit arrangements.

The Head of Corporate Resources and Chief Finance Officer is responsible for monitoring performance, ensuring the adequacy of Internal Audit resources and ensuring the independence of the Corporate Assurance and Improvement Manager.

Independence, Integrity and Objectivity

All internal audit activities will remain free from undue influence by any element in the Council, including matters of audit selection, scope, procedures, frequency, timing or report content, to permit maintenance of a necessary independent and objective mental attitude.

Auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records or engage in any other activity that may impair an Auditor's judgement.

Internal Auditors must exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. Internal Auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgements. Auditors will also be required to provide an annual declaration of any actual or potential conflicts of interest that might compromise their objectivity in the conduct of particular audits. There is also a requirement to make a declaration if such a conflict of interest is identified in the course of any piece of audit or consultancy work.

Alongside responsibility for managing the Internal Audit service, the Corporate Assurance and Improvement Manager is also responsible for managing the Council's Corporate Performance, Insurance, Counter Fraud, and Risk Management and Change services. The Corporate Assurance and Improvement Manager will not carry out any audit reviews of those areas. The following additional safeguards have been formally agreed by the Audit and Ethics Committee to ensure that there is no significant impairment to the independence or objectivity of the Internal Audit service:

- The Head of Corporate Resources and Chief Finance Officer will, in consultation with the senior management team and the Audit and Ethics Committee, determine when internal audit reviews of the areas outlined above will be carried out. The CAIM will have no involvement in these decisions.
- Any internal audit reviews of the above areas will be undertaken by an external organisation to be selected by the Head of Corporate Resources and Chief Finance Officer in consultation with the Audit and Ethics Committee. The CAIM will have no involvement in this process.
- The findings arising from any internal audit reviews of the above areas will be reported directly to the Head of Corporate Resources and Chief Finance Officer, who will in turn present the results to the Audit and Ethics Committee.
- Any allegations of impropriety by a member of the Corporate Assurance and Improvement team will be considered directly by the Head of Corporate Resources and Chief Finance Officer, who will in turn appoint an investigator from outside the service.

The Corporate Assurance and Improvement Manager will confirm to the Audit and Ethics Committee, at least annually, the organisational independence of Internal Audit in respect of its activities.



Responsibility

The scope of internal audit encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the Council's governance, risk management and internal control processes in relation to the Council's defined goals and objectives.

The service evaluates all processes (not just financial) of the Council including governance and risk management processes. It also assists the Audit and Ethics Committee in evaluating the quality of performance of external auditors and ensures there is a proper degree of co-ordination between Internal Audit and the Council's External Auditors.

The service may perform consulting and advisory services related to governance, risk management and control as appropriate for the Council. Approval must be sought from the Audit and Ethics Committee for any significant additional consulting services not already included in the Annual Internal Audit Plan. The service may also evaluate specific operations at the request of the Audit and Ethics Committee or management, as appropriate: where requests from management have the potential to impact on the delivery of planned work, approval of the Audit and Ethics Committee will be required.

Based on its activity, the service is responsible for reporting significant risk exposures and control issues identified to the Audit and Ethics Committee and to senior management, including fraud risks, governance issues and other matters requested by the Audit and Ethics Committee.

Internal Audit Plan and Resources

The Corporate Assurance and Improvement Manager will submit to the Audit and Ethics Committee, annually, a risk-based Annual Internal Audit Plan for review and approval.

A key element of the annual planning process is the identification of the full range of activities and processes that could be subject to audit – "the audit universe". In developing the Annual Audit Plan, the Corporate Assurance and Improvement Manager carries out an exercise to develop a planning framework within which a series of audit entities can be linked to the Council's corporate priorities in a way that supports the development of a Risk Based Internal Audit approach. The Corporate Assurance and Improvement Manager will identify risks from the following sources:

- Risk Management Framework, Strategic and Operational Risk Registers
- Corporate Strategy
- Financial Statements

- Service Plans
- Project, Contract and Partnership Registers
- Cumulative knowledge and experience
- Stakeholder engagement

Each audit entity is assigned a priority based on its risk rating (High/ Medium/Low). Assignments are then prioritised for inclusion within the annual audit plan.

The Corporate Assurance and Improvement Manager shall authorise any additions to the audit universe arising from changes in the Council's corporate priorities. In addition, the audit universe will be subject to ongoing review associated with developments in the Council's demonstrated level of risk maturity and emerging events.

The audit universe forms the basis of stakeholder discussions with the Senior Management Team during January/February each year, from which the planned audit coverage for the next financial year is refined and prioritised. Members of the Audit and Ethics committee will also be encouraged to contribute to the development of the internal audit plan at the February meeting each year. The draft Internal Audit Plan will cover a broad range of areas including financial risks, IT risks, fraud risks, governance and ethics risks, corporate/strategic risks, and operational/service risks.

The Corporate Assurance and Improvement Manager will then review the level of resources required to deliver the proposed risk based Internal Audit Plan. The report to Committee will include budget and resource requirements for the next financial year necessary for the delivery of the Plan. The Corporate Assurance and Improvement Manager will communicate the impact of any resource limitations and of significant interim changes to the Senior Management Team and the Audit and Ethics Committee.

The Council currently relies upon an external contractor – TIAA – for the provision of specialist IT audit work. The contractor undertakes additional internal audit work for the Council when commissioned to do so by the Corporate Assurance and Improvement Manager, under the terms of an existing call off contract. This arrangement enables the Council to utilise IT audit expertise which does not exist within the Council, whilst enhancing service resilience by limiting the impact of unforeseen events such as vacancies or long term sickness. The contractor has not provided any additional non-audit services to the Council.

The Corporate Assurance and Improvement Manager will carry out a continuous review of the development and training needs of all Internal Audit personnel as part of the Quality Assurance and Improvement Programme, and will arrange appropriate training.



Effective Communication, Reporting and Monitoring

A written report will be prepared and issued by the Corporate Assurance and Improvement Manager or designee following the conclusion of each audit assignment and will be distributed in line with the Council's reporting process. The outcome of each assignment will also be communicated to the Audit and Ethics Committee in the manner determined by the Committee.

The Internal Audit reports will include management's response and a record of corrective action taken or to be taken in regard to the specific findings. Management's response will include a timetable for anticipated completion of agreed action to be taken and an explanation for decisions not to take action to address a control weakness identified in the report.

The service will be responsible for monitoring the timely implementation of agreed audit related actions and will report to the Council's Senior Management Team and the Audit and Ethics Committee on progress achieved.

The Corporate Assurance and Improvement Manager will produce an annual Internal Audit Opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control. The Internal Audit Opinion will contribute to the Council's review of the effectiveness of its control environment as required under the Accounts and Audit (England) Regulations 2011.

Periodic Assessment and Approval

The Corporate Assurance and Improvement Manager is responsible for providing a periodic self-assessment on the Internal Audit activity as regards its consistency with the Audit Charter (purpose, authority, responsibility) and performance relative to its Plan.

In addition, the Corporate Assurance and Improvement Manager will communicate to senior management and the Audit and Ethics Committee on the Internal Audit Quality Assurance and Improvement Programme, including the results of ongoing internal assessments and external assessments conducted at least every five years as required by the Standards.

The Corporate Assurance and Improvement Manager will be responsible for the annual review of the Charter for subsequent approval by the Council's Audit and Ethics Committee.

RUGBY BOROUGH COUNCIL

**INTERNAL AUDIT QUALITY
ASSURANCE AND IMPROVEMENT
PROGRAMME**

Date: November 2017

QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

1. INTRODUCTION

- 1.1 Internal auditing is defined as “an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”. (Source: Public Sector Internal Audit Standards – PSIAS).
- 1.2 The Council’s internal audit function aims to meet the expectations of its stakeholders and deliver consistently high quality services. This requires a lot of hard work and commitment to identify and consistently apply effective professional practice. This is why PSIAS Standard 1300 requires the Corporate Assurance and Improvement Manager to develop and maintain a Quality Assurance and Improvement Programme (QAIP).
- 1.3 Standard 1310 of the PSIAS states that the QAIP must include both internal and external assessments. This acknowledges that high standards can be delivered by internal audit managers but it also implies that further improvements can be delivered by subjecting the internal audit service to periodic external assessments.
- 1.4 In relation to quality assurance and improvement there are three key requirements of the PSIAS, as follows:
 - Ongoing monitoring of the performance of the internal audit activity. This refers to the day to day supervision, review and measurement of internal audit activity that is built into policies and routine procedures.
 - Periodic self-assessments (or assessments by other persons within the organisation with sufficient knowledge) of internal audit practices to assess conformance with the PSIAS.
 - External assessments of conformance to the PSIAS once every five years by a qualified, independent assessor from outside the Council. External assessments can be in the form of a full external assessment, or a self-assessment with an independent external validation. The Council’s internal audit service received a full external assessment in September 2017 and the next external assessment is due by September 2022.
- 1.5 It is also a requirement of the Standards that the nature of the QAIP and reviews of effectiveness are regularly reported to the Council’s Audit and Ethics Committee and senior management.

- 1.6 The QAIP is designed to provide stakeholders with assurance that internal audit:
- Performs its work in accordance with the Audit Charter (approved by the Audit and Ethics Committee in November 2017), which is consistent with the PSIAS definition of Internal Auditing and the Code of Ethics;
 - Operates in an effective and efficient manner; and
 - Is perceived by stakeholders as adding value and leading to improvements in the Council's operations.
- 1.7 This QAIP covers all aspects of the Internal Audit activity in accordance with PSIAS Standard 1300 (Quality Assurance and Improvement Programme), including:
- 1.8
- Monitoring internal audit to ensure it operates in an efficient and effective manner (PSIAS Standard 1300);
 - Evaluating compliance with the PSIAS Definition of Internal Auditing and Code of Ethics (PSIAS Standard 1300);
 - Helping internal audit to add value and improve the Council's operations (PSIAS Standard 1300);
 - Undertaking both periodic and on-going internal assessments of internal audit (PSIAS Standards 1311 and 1312);
 - Commissioning an external assessment of internal audit at least once every five years, and communicating the results to the Audit and Ethics Committee and Senior Management (PSIAS Standard 1320); and
 - Communicating the results of this QAIP to Senior Management and the Audit and Ethics Committee (PSIAS Standard 1320), including disclosure of
 - The scope and frequency of internal and external assessments;
 - The qualifications and independence of the assessor(s) or assessment team including any potential conflicts of interest;
 - The conclusions of the assessors; and
 - Details of any corrective action plans.
- 1.9 The Corporate Assurance and Improvement Manager is responsible for the QAIP, which covers all areas of internal audit activity including consultancy engagements.

2. INTERNAL ASSESSMENTS

- 2.1 In accordance with PSIAS Standard 1300, internal assessments are undertaken through both on-going and periodic reviews.

Ongoing Reviews

2.2 Continual assessments are conducted through:

- Supervision of all engagements by the Corporate Assurance and Improvement Manager;
- Structured, documented reviews of Terms of References, working papers and draft reports;
- A detailed Audit Manual setting out the procedures used for each engagement to ensure consistency, quality and compliance with appropriate planning, fieldwork and reporting standards;
- Quality control checklist completed for each assignment;
- In the case of work carried out by the Corporate Assurance and Improvement Manager, review by another member of the team;
- Feedback from clients obtained through satisfaction questionnaires issued at the closure of each engagement;
- Monitoring of performance against agreed performance indicators and regular reporting to the Audit and Ethics Committee and Senior Management Team;
- Periodic reporting to the Audit and Ethics Committee and the Head of Corporate Resources and Chief Finance Officer, setting out the content and progress on delivery of the improvement plan;
- Review and approval of all draft and final reports, recommendations, levels of assurance and risk exposures by the Corporate Assurance and Improvement Manager;
- Follow up and reporting on the implementation of actions agreed at the end of each engagement; and
- Where appropriate, feedback on the quality of work during monthly one to one meetings.

Periodic Reviews

2.3 Internal periodic assessments are designed to assess conformance with the PSIAS and to ensure that internal audit is efficient and effective in meeting the needs of its various stakeholders. Periodic assessments are conducted through:

- Progress and performance reports, presented to the Audit and Ethics Committee and periodically to the Senior Management Team;
- Annual risk assessments completed for audit planning purposes completed in March each year;
- An annual self-assessment against the PSIAS – which members of the Audit and Ethics Committee and other appropriate staff will be invited to

- participate in alongside the Corporate Assurance and Improvement Manager;
- An annual review of compliance against the requirements of this QAIP, including progress on delivery of the agreed improvement plan.
- 2.4 The results of internal assessments are included in an improvement plan which is continually monitored and included in the annual report and opinion of the Corporate Assurance and Improvement Manager. This is in turn used to inform the Council's Annual Governance Statement (AGS).

3. EXTERNAL ASSESSMENTS

- 3.1 External assessments will appraise and express an opinion about internal audit's conformance with the PSIAS and will include recommendations for improvement, as appropriate.
- 3.2 An external assessment will be conducted at least every five years, as required by the PSIAS. The appointment of the external assessor and the scope of the external assessment will be formally determined and approved by the Audit and Ethics Committee.
- 3.3 An external assessment was completed in September 2017 which provided an opinion on the level of compliance with the PSIAS and the Local Government Application Note. The assessment concluded that there were "no areas of non-compliance that would affect the overall scope or operation of the internal audit activity". A number of recommendations were made to ensure full compliance with the PSIAS. The report and associated action plan were reported to the Audit and Ethics Committee and Senior Management Team in November 2017, in line with the PSIAS.
- 3.4 The next external assessment is due by September 2022 at the latest. The scope of this review will be determined nearer the time. Any identified areas of significant non-compliance with the PSIAS will be included in the annual report of the Corporate Assurance and Improvement Manager and, if applicable, in the AGS.

4. REVIEW OF THE QAIP

- 4.1 This document will be subject to periodic review and will be updated accordingly following any changes to the PSIAS or the operating environment of internal audit.

5. TIMELINE OF ASSESSMENT WORK

5.1 The following table sets out the timeline and frequency of the assessment work:

Nature of Assessment Work	Timeline and Frequency
Engagement supervision	Ongoing
Reviews of Terms of References, working papers and draft reports	Ongoing
Compliance with the Audit Manual	Ongoing
Quality control checklist	At completion of each assignment
Review of audit work completed by the Corporate Assurance and Improvement Manager	As and when required
Customer feedback	At completion of each assignment
Progress and performance monitoring	Aligned with each Audit and Ethics Committee meeting (five times per year)
Progress reporting on improvement plan	Aligned with each Audit and Ethics Committee meeting (five times per year)
Corporate Assurance and Improvement Manager review and approval of: <ul style="list-style-type: none"> • Draft and final reports • Recommendations • Levels of assurance • Risk exposure assessments 	Ongoing
Follow up and reporting on the implementation of agreed audit actions	Aligned with each Audit and Ethics Committee meeting (five times per year)
One to one feedback on quality of audit work	Monthly
Audit plan risk assessments	Annually (March)
PSIAS self-assessments	Annually (May)
Review of compliance with this QAIP	Annually (May)
External assessment	Every five years (due September 2022)

AGENDA MANAGEMENT SHEET

<i>Name of Meeting</i>	Audit and Ethics Committee
<i>Date of Meeting</i>	27 November 2017
<i>Report Title</i>	Interim Review of Internal Audit Plan
<i>Portfolio</i>	Corporate Resources
<i>Ward Relevance</i>	None
<i>Prior Consultation</i>	Head of Corporate Resources and Chief Finance Officer
<i>Contact Officer</i>	Chris Green, Corporate Assurance and Improvement Manager, Tel: 01788 533451
<i>Report Subject to Call-in</i>	This report is not subject to Call-In because the Committee has specific responsibility to review the work of the internal audit function and the framework of policies and standards within which it operates.
<i>Statutory/Policy Background</i>	None
<i>Summary</i>	The report sets out the updated internal audit plan for approval.
<i>Risk Management Implications</i>	There are no risk management implications arising directly from this report.
<i>Financial Implications</i>	There are no financial implications arising directly from this report.
<i>Environmental Implications</i>	There are no environmental implications arising from this report.
<i>Equality and Diversity</i>	There are no equality and diversity implications arising from this report.
<i>Legal Implications</i>	There are no legal implications arising from this report.
<i>Recommendation</i>	That the updated internal audit plan for 2017/18 be approved.

Reasons for Recommendation

1. To comply with the requirements of the terms of reference of the Audit and Ethics Committee.
2. To meet the requirements of the Public Sector Internal Audit Standards.
3. To ensure that the work of internal audit adds as much value as possible to the Council.

Audit and Ethics Committee – 27 November 2017

Interim Review of Internal Audit Plan

Report of the Head of Corporate Resources and Chief Finance Officer

Recommendation

That the updated internal audit plan for 2017/18 be approved.

1. Report

- 1.1 The Internal Audit plan for 2017/18 was approved by the Senior Management Team on 16 March 2017 and by the Audit and Ethics Committee on 4 April 2017.
- 1.2 It is 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. The Corporate Assurance and Improvement Manager held meetings with each member of the Senior Management Team during October 2017 to review the audit plan for the current year in the context of any emerging risks and issues. This process has resulted in a number of proposed changes to the audit plan for 2017/18, which are set out at Appendix A.
- 1.3 The proposed amendments to the internal audit plan are summarised as follows:
 - Removal of 6 assignments totalling 92 days
 - A reduction in the scope of 2 assignments resulting in a reduction of 20 days
 - The addition of 5 new assignments totalling 95 days
- 1.4 The rationale for each of the proposed amendments is set out within Appendix A.
- 1.5 The proposed changes represent a small reduction of 17 days (4%) in the total internal audit plan for the year, from 378 days to 361 days. The small reduction is necessary due to the delay in recruiting to the Corporate Assurance Officer position. An appointment has now been made and the new officer will join the Corporate Assurance and Improvement team on 27 November 2017. The impact of the delayed recruitment has largely been mitigated. This has been achieved by:
 - using salary savings to commission the delivery of two assignments by the Council's audit contractor (TIAA);
 - reallocation of work within the Corporate Assurance and Improvement team; and
 - utilising the contingency of 35 days allocated within the original audit plan.

The revised internal audit plan of 361 days represents an increase of 29 days on the previous year's plan.

- 1.6 The Corporate Assurance and Improvement Manager has reviewed the level of resource available until the end of March 2018 and is satisfied that appropriate resources are in place to deliver the revised internal audit plan. Appropriate allowances have been made for annual leave, sickness, bank holidays, training and development.
- 1.7 The Audit and Ethics Committee is gatekeeper to the internal audit plan and as such members are asked approve the proposed changes to the plan. Alternatively, members may request that different changes be made.

Name of Meeting: Audit and Ethics Committee
Date of Meeting: 27 November 2017
Subject Matter: Interim Review of Internal Audit Plan
Originating Department: Corporate Assurance and Improvement

LIST OF BACKGROUND PAPERS

Document No.	Date	Description of Document	Officer's Reference	File Reference
Appendix A	27/11/2017	Updated Internal Audit Plan		

APPENDIX A – PROPOSED AMENDED INTERNAL AUDIT PLAN FOR 2017/18

<u>AUDIT ASSIGNMENT</u>	<u>SERVICE AREA/S</u>	<u>PROPOSED COVERAGE</u>	<u>RATIONALE</u>	<u>ESTIMATE OF DAYS REQUIRED</u>	<u>COMMENTS</u>
<u>Financial Risks</u>					
Housing Rents	Communities and Homes	Assurance that the Council is effectively managing housing rent arrears.	Risk of tenants falling deeper into debt if proactive intervention is not early. Increased risk of financial losses.	10	Risk highlighted by the Head of Corporate Resources and Chief Finance Officer, and the Head of Communities and Homes.
Green Waste	Corporate	To provide assurance that appropriately designed controls are in place, and operated consistently, to ensure that all income is accurately and completely accounted for.	New financial system generating significant income for the Council. Part of the strategy to achieve financial self-sufficiency.	12	No changes recommended as this is a key new financial system generating substantial income.
			Total – Financial Risks	22	
<u>Counter Fraud Risks</u>					
Fraud Awareness	Corporate Resources	Ongoing, targeted provision of training to raise awareness of fraud - what is fraud, types of fraud, how the risks can be reduced, and what to do if fraud is suspected.	Supports ongoing delivery of the Anti-Fraud, Bribery and Corruption Strategy	8	In progress. No changes recommended.

APPENDIX A – PROPOSED AMENDED INTERNAL AUDIT PLAN FOR 2017/18

<u>AUDIT ASSIGNMENT</u>	<u>SERVICE AREA/S</u>	<u>PROPOSED COVERAGE</u>	<u>RATIONALE</u>	<u>ESTIMATE OF DAYS REQUIRED</u>	<u>COMMENTS</u>
Council Tax and NDR Fraud	Corporate	Review of controls designed to prevent Council Tax and/ or NDR fraud. Proactive risk based testing of a sample of accounts to provide assurance that fraud is not taking place.	Supports ongoing delivery of the Anti-Fraud, Bribery and Corruption Strategy	12	In progress. No changes recommended.
Corporate Credit Cards	Corporate	Review of controls designed to prevent fraudulent use of corporate credit cards. Proactive risk based testing of a sample of transactions to provide assurance that fraud is not taking place.	Supports ongoing delivery of the Anti-Fraud, Bribery and Corruption Strategy	10	Audit complete.
			Total - Counter Fraud	30	

APPENDIX A – PROPOSED AMENDED INTERNAL AUDIT PLAN FOR 2017/18

<u>AUDIT ASSIGNMENT</u>	<u>SERVICE AREA/S</u>	<u>PROPOSED COVERAGE</u>	<u>RATIONALE</u>	<u>ESTIMATE OF DAYS REQUIRED</u>	<u>COMMENTS</u>
<u>ICT Risks</u>					
Disaster Recovery & Backup	Communities & Homes	Review of arrangements in place to ensure, in the event of a disaster, that systems are restored in a prioritised and timely manner, and that there are appropriate arrangements to prevent loss of data. The previous review conducted in 2014/15 provided only Limited Assurance. To be delivered by TIAA.	Loss or outage of various systems is highlighted on the operational risk register; could cause significant disruption to services. There are planned changes to the Council's arrangements.	6	In progress. Being delivered by the Council's IT Auditor (TIAA). No changes recommended.
Cyber Security	Communities & Homes	Given that all officers and members have a role to play in reducing the risk of a successful cyber-attack, it was agreed that an internal audit review was necessary to establish the level of staff awareness of cyber risks and to assess the level of understanding of the working practices which should be followed to minimise the risk of a successful attack.	Since the audit plan was approved there have been a number of cyber-attacks, both nationally and internationally. It was confirmed that the Council's IT network has been independently accredited as having satisfactory defences against cyber-attack.	6	Additional assignment added to the agreed plan. Agreed by Audit & Ethics Committee in September. Cost neutral as existing IT work plan can also be delivered within the agreed budget. In progress and being delivered by the Council's IT Auditor (TIAA). No changes recommended.

APPENDIX A – PROPOSED AMENDED INTERNAL AUDIT PLAN FOR 2017/18

<u>AUDIT ASSIGNMENT</u>	<u>SERVICE AREA/S</u>	<u>PROPOSED COVERAGE</u>	<u>RATIONALE</u>	<u>ESTIMATE OF DAYS REQUIRED</u>	<u>COMMENTS</u>
CCTV – Compliance with Code of Operations	Corporate	Assurance that those services which are responsible for oversight of CCTV monitoring are doing so in compliance with legislation and the 2014 Code of Operations. To be delivered by TIAA.	Risk of non-compliance with the Code of Operations. To support the drafting of a new internal code of practice.	12	In progress and being delivered by the Council’s IT Auditor (TIAA). No changes recommended.
			Total - ICT	24	
<u>Corporate Risks</u>					
Efficiency & Effectiveness Reviews	Corporate	To add value by process mapping existing processes using the Council’s new Engage software. This will enable areas of waste and inefficiency to be highlighted along with areas where control activity might be ineffective.	Opportunity for the Corporate Assurance and Improvement team to add greater value through its work. Operating procedures will become more efficient and effective as a result.	15	It is proposed to apply this approach to three audit assignments scheduled for the remainder of 2017/18.

APPENDIX A – PROPOSED AMENDED INTERNAL AUDIT PLAN FOR 2017/18

<u>AUDIT ASSIGNMENT</u>	<u>SERVICE AREA/S</u>	<u>PROPOSED COVERAGE</u>	<u>RATIONALE</u>	<u>ESTIMATE OF DAYS REQUIRED</u>	<u>COMMENTS</u>
<i>Change Management - Digitalisation</i>	<i>Corporate</i>	<i>Consultative support as required throughout the year to ensure that the digitalisation programme delivers the intended outcomes without compromising the Council's overall control environment.</i>	<i>A key element of the Council's strategy to achieve financial self-sufficiency. Increased risk of the control environment being compromised.</i>	5	<i>This support mechanism has not yet been utilised due to the later than planned implementation of the various project streams. It is estimated that only 5 days of support will be required in 2017/18, compared with the 20 days envisaged.</i>
General Data Protection Regulations (GDPR)	Corporate	Consultancy support to assist departments in identifying what records they hold, why, how long for, and how they are stored. To assist in identifying what controls have/ need to implement in order to demonstrate compliance with the GDPR. To assist departments in managing the risk of non-compliance through their operational risk registers.	New regulations come into effect in May 2018. Risk of substantial fines and reputational damage if the Council does not implement appropriate arrangements to ensure compliance.	20	

APPENDIX A – PROPOSED AMENDED INTERNAL AUDIT PLAN FOR 2017/18

<u>AUDIT ASSIGNMENT</u>	<u>SERVICE AREA/S</u>	<u>PROPOSED COVERAGE</u>	<u>RATIONALE</u>	<u>ESTIMATE OF DAYS REQUIRED</u>	<u>COMMENTS</u>
Partnership Governance	Corporate	Assurance that the Council applies an appropriate governance framework to its partnerships such that corporate objectives and value for money are achieved. To include a review of the governance and operation of the Crematorium Joint Venture with Daventry District Council.	Risk of loss of sovereignty. Significant risk of reputational and financial damage should partnerships fail.	15	In progress and being delivered by TIAA. No changes recommended.
Values and Behaviours	Corporate	Assurance that the Council's values and expected standards of behaviour have been defined, are measured objectively and reported upon. To assess actual attitudes and behaviours (culture) through a series of interviews and/ or surveys. Assessment based upon an attributes maturity model.	Risk of reputational damage and low employee morale.	15	Scheduled for Q4. No changes recommended – this is a key new Council initiative and the PSIAS also require that audit work and an opinion be provided on ethics.

APPENDIX A – PROPOSED AMENDED INTERNAL AUDIT PLAN FOR 2017/18

<u>AUDIT ASSIGNMENT</u>	<u>SERVICE AREA/S</u>	<u>PROPOSED COVERAGE</u>	<u>RATIONALE</u>	<u>ESTIMATE OF DAYS REQUIRED</u>	<u>COMMENTS</u>
Risk Management	Corporate	Assessment of the effectiveness of the Council's arrangements to manage its risks, and the level of risk maturity of the Council. <i>To avoid an actual or perceived conflict of interest this review will not be undertaken by the in house team.</i>	Failure to embed an effective risk management framework would increase the likelihood that the Council will fail to achieve its organisational objectives.	10	To be commissioned by the Head of Corporate Resources and Chief Finance Officer for delivery in Quarter 4. The PSIAS require that risk management effectiveness is reviewed on a regular basis. No changes recommended.
			Total - Corporate Risks	80	
<u>Operational Risks</u>					
Licensing	Environment and Public Realm	Embedded assurance as the service reviews and updates its operating procedures, to ensure efficient, effective and consistent operation.	Risk of statutory non-compliance highlighted by management and reported to the Audit & Ethics Committee in September 2017.	20	

APPENDIX A – PROPOSED AMENDED INTERNAL AUDIT PLAN FOR 2017/18

<u>AUDIT ASSIGNMENT</u>	<u>SERVICE AREA/S</u>	<u>PROPOSED COVERAGE</u>	<u>RATIONALE</u>	<u>ESTIMATE OF DAYS REQUIRED</u>	<u>COMMENTS</u>
Housing Restructure	Communities and Homes	Advisory support. Documentation and review of the design and operation of controls following a full restructure of the Council's housing service.	Increased risk that the operation of key controls will lapse following the restructure. Opportunities to streamline existing procedures.	30	
<i>Benn Hall and the Tool Shed Cafe</i>	<i>Growth & Investment</i>	<i>Assurance requested that income and expenditure is appropriately accounted for, with a focus on sales, stock control and cash receipting. Assurance that the 2016/17 investigation action plan has been implemented.</i>	<i>High risk, an investigation carried out during 2016/17 highlighted significant procedural weaknesses</i>	15	<i>In progress. Given that the Council no longer operates the café, it is recommended that this review be reduced to 15 days from 20 days.</i>
Housing Repairs Stock Control	Corporate Resources	Assurance that appropriately designed and embedded stock control and stock taking procedures are in place.	New system. Robust procedures are fundamental to ensure that the service runs efficiently, material costs are appropriately controlled, and to minimise opportunities for theft or fraud.	15	Scheduled for Q4. No changes proposed.

APPENDIX A – PROPOSED AMENDED INTERNAL AUDIT PLAN FOR 2017/18

<u>AUDIT ASSIGNMENT</u>	<u>SERVICE AREA/S</u>	<u>PROPOSED COVERAGE</u>	<u>RATIONALE</u>	<u>ESTIMATE OF DAYS REQUIRED</u>	<u>COMMENTS</u>
RAGM Income	Growth and Investment	<p>Assurance that:</p> <ul style="list-style-type: none"> • There are appropriately designed controls in place for selling World Rugby stocks. • There are robust procedures for recording and monitoring Hall of Fame ticket sales and income. • The café profit sharing arrangement is operating as expected. 	New systems in place. Hall of Fame income is a key element of the Council's financial strategy.	12	Draft report issued.
Play Service and On Track	Growth and Investment	<p>Assurance that there are appropriately designed processes in place to accurately and completely record income. Assurance that all service related costs have been appropriately considered and understood when setting prices. Assurance that there are suitable arrangements in place to monitor income levels and take appropriate remedial action if targets</p>	There are significant income targets for the service, with the potential to significantly reduce the net costs to the community. Substantial reputational and legal risks should the Council fail in its caretaking responsibilities.	20	Audit complete.

APPENDIX A – PROPOSED AMENDED INTERNAL AUDIT PLAN FOR 2017/18

		are not being met. Assurance that the Council has appropriate processes in place to efficiently and effectively fulfil its responsibilities as a caretaker of the children using the service.			
Residential– Landlord Health & Safety Responsibilities	Corporate Resources	Assurance, in relation to residential property, that the Council is operating in compliance with its health and safety responsibilities.	High level of inherent risk. The review of corporate health and safety in 2016/17 highlighted compliance issues.	15	No changes recommended.
Fleet Management	Environment and Public Realm	Review of compliance with operator licence regulations, arrangements to secure value for money, planning of the fleet to ensure that operational needs are met, asset purchases and disposals, fuel and tyre procurement, and arrangements to secure service resilience in the event that key officers leave the Council.	There are upcoming changes in the management structure of the service and amendments to fuel and tyre procurement procedures.	20	In progress and being delivered by TIAA. No changes recommended.
			Total – Operational Risks	147	

APPENDIX A – PROPOSED AMENDED INTERNAL AUDIT PLAN FOR 2017/18

<u>Additional Areas of Support</u>					
Annual Governance Statement		Assurance that the Council operates a robust framework of corporate governance, in accordance with the new “Delivering Good Governance in Local Government” framework.	Statutory requirement under the Accounts and Audit Regulations 2015.	15	Completed.
National Fraud Initiative		Ongoing co-ordination of the review of data matching, and assurance that investigations are conducted where required.	The Council participates in the National Fraud Initiative, in line with its Counter Fraud Strategy.	8	Ongoing
Corporate Investigation Work		Provision of independent investigatory support, in relation to allegations or suspicions of fraud, bribery and/ or corruption.	In line with the public interest and the Council's zero tolerance approach to fraud, bribery and corruption, as set out in the Strategy.	35	Ongoing. No changes recommended.
AMENDED INTERNAL AUDIT PLAN – TOTAL DAYS				361	

APPENDIX A – PROPOSED AMENDED INTERNAL AUDIT PLAN FOR 2017/18

ASSIGNMENTS PROPOSED FOR REMOVAL FROM THE PLAN

<u>AUDIT ASSIGNMENT</u>	<u>SERVICE AREA/S</u>	<u>PROPOSED COVERAGE</u>	<u>DAYS BUDGETED</u>	<u>RATIONALE FOR REMOVAL</u>
Creditors	Corporate Resources	To provide assurance that appropriately designed controls are in place, and operated consistently, to mitigate the key risks to the Council in respect of its creditors system. To include a review providing assurance that the new Agresso Fund Manager module is realising the expected benefits.	20	The new Fund Manager module will not now be implemented until 2018/19. It is therefore recommended the audit be deferred to the next financial year.
Agency Staff	Corporate	Assurance that use of Agency Staff is for appropriate reasons, authorised in advance, and not used to circumvent restrictions on filling vacant positions. Assurance that use is not for extended periods of time and as an alternative to a more strategic approach to recruitment and workforce development.	15	Discussions with senior management have indicated that the overall level of risk has reduced because the Council's level of expenditure on Agency staff has reduced following the commissioning of an external provider through which agency staff are requested and selected. This audit is therefore seen as less pressing as it was, and it proposed to defer it to the next financial year.
Tenant Recharges	Corporate Resources	Assurance that recharges are accurate and complete, and correctly reflect the Council's expenditure incurred when carrying out repairs. Review of arrangements in place to maximise the collection of outstanding income.	12	The new system has only recently been introduced and there are only a relatively small number of transactions available to review. It is proposed that the audit be deferred to early 2018/19.

APPENDIX A – PROPOSED AMENDED INTERNAL AUDIT PLAN FOR 2017/18

<u>AUDIT ASSIGNMENT</u>	<u>SERVICE AREA/S</u>	<u>PROPOSED COVERAGE</u>	<u>DAYS BUDGETED</u>	<u>RATIONALE FOR REMOVAL</u>
Housing Repairs	Corporate Resources	Assurance that the Oneserve system is delivering its expected outcomes. Review of the design and application of controls. To include a review of performance management arrangements.	20	Following the housing restructure a new performance management framework is to be implemented for the service. It is proposed that the audit be deferred to early 2018/19 to allow the new performance management framework to be implemented and embedded.
Car Parking Consultancy Review	Environment and Public Realm	A consultative review of: <ul style="list-style-type: none"> • Car park income and occupation compared with running costs • Car parking charges in the borough compared with other local authorities • Corporate land usage 	10	The Council has appointed a new Corporate Property Manager who will be developing and implementing a new Asset Management Plan for the Council. It is proposed that this piece of consultancy work be deferred to 2018/19 to coincide with the production of the new Asset Management Plan.
Health & Safety Follow Up	Corporate	To provide assurance that the action plan arising from the 2016/17 audit has been implemented. Assurance that contractors who undertake property works do so in line with their method statements.	15	The Council has been unable to recruit to vacant positions within the Corporate Safety & Resilience team. Alternative resourcing options are currently being considered. As such, some key actions arising from the original internal audit report cannot yet be implemented. It is proposed that the follow up review be deferred to early 2018/19.
		TOTAL	92 days	

AGENDA MANAGEMENT SHEET

<i>Name of Meeting</i>	Audit and Ethics Committee
<i>Date of Meeting</i>	27 November 2017
<i>Report Title</i>	2017/18 Internal Audit Plan – Progress Update
<i>Portfolio</i>	Corporate Resources
<i>Ward Relevance</i>	None
<i>Prior Consultation</i>	Head of Corporate Resources and Chief Finance Officer
<i>Contact Officer</i>	Chris Green, Corporate Assurance and Improvement Manager, Tel: 01788 533451
<i>Report Subject to Call-in</i>	This report is not subject to Call-In because the Committee has specific responsibility to review the work of the internal audit function and the framework of policies and standards within which it operates.
<i>Statutory/Policy Background</i>	Public Sector Internal Audit Standards (PSIAS)
<i>Summary</i>	The report sets out progress against delivery of the Internal Audit Plan for 2017/18.
<i>Risk Management Implications</i>	There are no risk management implications arising directly from this report.
<i>Financial Implications</i>	There are no financial implications arising directly from this report.
<i>Environmental Implications</i>	There are no environmental implications arising from this report.
<i>Equality and Diversity</i>	There are no Equality and Diversity implications arising from this report.
<i>Legal Implications</i>	There are no legal implications arising from this report.
<i>Recommendation</i>	That the report be considered and noted.
<i>Reasons for Recommendation</i>	To comply with the requirements of the terms of reference of the Audit and Ethics Committee, and to discharge the Committee's responsibilities under the Constitution.

Audit and Ethics Committee – 27 November 2017

2017/18 Internal Audit Plan – Update

Report of the Head of Corporate Resources and Chief Finance Officer

Recommendation

That the report be considered and noted.

1. Introduction

- 1.1 The purpose of this report is to set out progress against the Internal Audit Plan for 2017/18.

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.
- 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 and Ethics Committee on 4 April 2017. 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 for 2016/17 and the current financial year.

3. Revisions to the 2017/18 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. The Corporate Assurance and Improvement Manager held meetings with each member of the Senior Management Team during October 2017 to review the audit plan for the current year in the context of any emerging risks and issues. This process has resulted in a number of proposed changes to the audit plan for 2017/18, which has been submitted in a separate report for formal review and approval at this meeting.

Name of Meeting: Audit and Ethics Committee
Date of Meeting: 27 November 2017
Subject Matter: Internal Audit Progress Update
Originating Department: Corporate Assurance and Improvement

LIST OF BACKGROUND PAPERS

Document No.	Date	Description of Document	Officer's Reference	File Reference
Appendix A	27/11/2017	Internal Audit Progress Update		



**INTERNAL AUDIT PROGRESS UPDATE
NOVEMBER 2017**

Date: 27 November 2017

Introduction

- 1.1 The Public Sector Internal Audit Standards (the Standards) require the Audit and 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:

- 4 assignments have been completed;
- 1 assignment is at draft report stage; and
- 11 assignments are in progress.

As reported at the previous meeting, progress on delivery of the internal audit plan is slightly behind due to the delay in successfully recruiting to the vacant Corporate Assurance Officer position. An appointment has now been made and the new officer joins the Council on 27th November 2017. Savings achieved by not appointing to the vacant position earlier in the year have been used to commission TIAA to deliver 2 audit assignments. Furthermore, the Corporate Financial Business Analyst is assisting in delivery of the Licensing review. These assignments are in progress. The resources required to deliver the remainder of the revised audit plan have been reviewed in detail. There are sufficient resources in place to deliver the revised audit plan and to achieve the internal target of issuing 90% of reports in draft by 31st March 2018.

Progress on individual assignments is shown at pages 7 to 9 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.

Results of Audit Work

Corporate Credit Card Audit:

Assurance Rating: Limited, Risk Exposure: Medium

The Council operates a number of corporate credit cards to enable purchases of a more urgent nature to be made, and to facilitate other online purchases such as hotel and train fare bookings. There are 21 holders of corporate credit cards. Maximum limits are in place on each card, with amounts varying between £1,000 and £10,000 for 18 officers. SMT members have maximum limits of £100,000 for emergencies only.

The audit was designed to provide assurance that:

- The corporate credit card transaction request, review and authorisation procedures are operating efficiently and effectively; and
- Corporate credit card expenditure transactions are appropriate, are in line with the objectives of the Council and represent reasonable value for money.

The audit included testing of 50 corporate credit card transactions, selected across all cardholders throughout the 12 months from June 2016 to May 2017 (statement dates July 2016 to June 2017); testing did not highlight any examples of potentially fraudulent or inappropriate expenditure. The audit did, however, highlight a number of issues related to the efficiency and effectiveness of controls designed to minimise the risks of fraud and to ensure that expenditure represents value for money. In particular:

- Cardholders are checking off their own expenditure against the credit card statements. Furthermore, it is possible for the requester, authoriser and transaction checker to all be the same person. This does nothing to mitigate the risk of fraud.
- There is no procedure written down anywhere for cardholders to follow when making and authorising purchases. Therefore, there are many varying methods and practices in place. Credit card transaction request forms are not consistently completed prior to expenditure taking place; in such instances the control adds no value and does not mitigate the risk of fraud.
- The audit highlighted examples of the corporate credit card being used to purchase 'big ticket' items such as white goods and furniture. In these cases there was a lack of evidence to demonstrate from a value for money perspective whether alternatives had been considered.

The Council plans to implement an EPay virtual solution which would involve issuing authorised single use virtual credit card numbers. This will ensure a more robust and consistent procedure of authorisation in advance and separation of duties. In the meantime, a number of actions have been agreed to mitigate the risks identified.

Play and On Track Audit:

Assurance Rating: Limited. Risk Exposure: Medium

The audit was designed to provide assurance that:

- There are appropriately designed processes in place to accurately and completely record income.
- All service related costs have been appropriately considered and understood when setting prices.
- There are suitable arrangements in place to monitor income levels and take appropriate remedial action if targets are not being met.
- The Council has appropriate processes in place to efficiently and effectively fulfil its responsibilities as a caretaker of the children using the service.

The review found that the team are highly aware of their safeguarding responsibilities with regard to children in their care. There were a number of areas where controls could be significantly improved and the following issues were identified:

- There is no clear pricing policy for either the Play or On Track service, with local discretion being applied to reduce fees below the published rates within the Finance Handbook.
- No formal contracts or service level agreements are put in place with the schools that the Play and On Track team provide services to. The lack of formal agreements leaves the council in a vulnerable position if a school decided it was no longer using the team's services.
- The services do not have final permanent records of delivered services. This could leave the team open to challenge in the event of a customer disputing an invoice, and increases the risk that services provided are not billed for in full.
- Current schedules are prepared generally by half term period, by activity and used for staff resource planning, however they do not include any income or expenditure costings. There is therefore a lack of awareness and ownership within the team of the day to day financial situation until any significant variances to budget are raised by the finance team.
- Whilst all staff interviewed confirmed that they had had the appropriate first aid, child protection and safeguarding training and held the expected qualifications, testing confirmed that this is not documented consistently within either the ITrent system or within the team itself. This could potentially result in regular refresher/requalification training, such as first aid, not being scheduled or completed.

An action plan has been agreed to mitigate the identified risks.

2.3 Are clients progressing audit recommendations with appropriate urgency?

At the date of reporting, 70% of management actions have been implemented by the agreed implementation date. A summary analysis of progress on implementation of audit recommendations is shown at pages 10 to 11. At the time of reporting there are 12 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 12 to 15 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 and Ethics Committee in May 2016:

<u>Theme</u>	<u>Title of Performance Indicator</u>	<u>Current Performance</u>
Delivery	Delivery of the Internal Audit Plan – Percentage of assignments delivered to at least draft report stage by 31 March 2017	Annual measure Prior year result: 85%
Adding Value	Customer Satisfaction – Average Rating	Insufficient data available
Timeliness	Timeliness of Reporting – Average time taken to issue draft reports following fieldwork completion	7 working days
Effectiveness	Implementation of Agreed Actions – Percentage either fully or partially implemented on time	70% - at the time of reporting there are 12 recommendations which are past their agreed implementation date. Refer to pages 12 to 15

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 and 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 and 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 that the audit was completed in. 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

KEY
Current status of assignments is shown by ✓

Assignment	Budget (days)	Time Spent (days)	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Assurance Rating	Comments
Financial Risks										
Housing Rents	10		✓							Planned for Q4
Green Waste	12		✓							Start planned by 30/11/17
Counter Fraud										
Fraud Awareness	8	2			✓					A range of training sessions to be delivered by 31/03/18
Council Tax and NDR Fraud	12	2			✓					
Corporate Credit Cards	10	9						✓	Limited	See comments at Page 3
ICT										
Disaster Recovery and Backup	6	To be delivered within planned annual budget			✓					Being delivered by TIAA
CCTV – Compliance with Code of Operations	10				✓					Being delivered by TIAA
Cyber Security	8				✓					Being delivered by TIAA
Corporate Risks										
Health and Safety Follow Up	15		✓							Planned for Q4
Change Management - Digitalisation	5		✓							
Partnership Governance	15	3			✓					Being delivered by TIAA

Assignment	Budget (days)	Time Spent (days)	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Assurance Rating	Comments
Values and Behaviours	15		✓							Planned for Q4
Risk Management	10		✓							Planned for Q4, to be commissioned externally
Operational Risks										
Benn Hall	20	2			✓					
Housing Repairs Stock Control	15		✓							Planned for Q4
RAGM Income	12	13					✓			
Play Service and On Track	20	28						✓	Limited	See comments at Page 4
Residential – Landlord Health and Safety Responsibilities	15		✓							
Fleet Management	20	10			✓					Being delivered by TIAA
Licensing	20									
General Data Protection Regulations	20									
Housing Restructure	30									
Additional Support										
Annual Governance Statement	15	9						✓	Substantial	Statement endorsed by Audit and Ethics Committee in June 2017
National Fraud Initiative	8	2			✓					Officers are reviewing and investigating “matches” where appropriate. This work is continuing during 17/18.

Assignment	Budget (days)	Time Spent (days)	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Assurance Rating	Comments
Corporate Investigation Work	35	16						✓		One corporate investigation has been completed with a report issued.

Summary: Implementation of Audit Recommendations Made in 2016/17

Audit	No. of Recs	Implemented on Time	Implemented Late	Not yet due	Overdue	Rejected Medium or High Risk Actions
Stocks and Stationery	3	3	0	0	0	0
ICT Service Desk	4	0	0	0	4	0
Corporate Health and Safety	15	10	0	0	5	0
Fees and Charges	8	6	0	0	2	0
ICT Infrastructure Resilience	5	0	0	0	5	0
Payment Card Industry Data Security Standards	7	3	0	4	0	0
Business Continuity and Emergency Planning	8	4	0	4	0	0
Benn Hall Investigation	8	7	0	1	0	0
Discretionary and Consultant Expenditure	7	0	0	7	0	0
ICT Systems Administration	7	6	1	0	0	0
Due for Completion	56	39 (70%)	5 (9%)	-	12 (21%)	0
Totals	72	39	5	16	12	0

Summary: Implementation of Audit Recommendations Made in 2017/18

Audit	No. of Recs	Implemented on Time	Implemented Late	Not yet due	Overdue	Rejected Medium or High Risk Actions
Corporate Credit Cards	9	2	0	7	0	0
Play Service and On Track	12	0	0	12	0	0
Due for Completion	2	2 (100%)	0	19	0	0
Totals	21	2	0	19	0	0

Details of Overdue Audit Recommendations

Audit	Agreed Action	Original Target Date	Management Comments	Revised Timescale
Health and Safety	<p>Review the level of Health and Safety Advisor support across the Council.</p> <p>Ensure that there is appropriate advisory support in place so that high risk operational activities are undertaken safely.</p>	31/03/2017	Action in progress. The Council has been unable to recruit to vacant positions within the Corporate Safety and Resilience team. Alternative resourcing options are currently being actively considered. As such, the revised timescale for delivery of this action is likely to be missed.	31/12/2017
Health and Safety	<p>Ensure that all temporary and agency staff receive appropriate induction training covering safe working practices, including DSE assessments where applicable.</p>	31/03/2017	The original agency worker checklist has been reviewed and the procedure updated. A health and safety video will be developed which must be watched by all such staff before they commence work with the Council. At the time of reporting a meeting had been held with the film producer, who is to confirm costs to the Council. It is expected that filming will take place in January or February 2018. 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.	31/03/2018
Health and Safety	<p>Consider requiring staff to attend health and safety refresher training on a programmed, targeted basis</p>	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 will be staff training.	31/12/2017

Audit	Agreed Action	Original Target Date	Management Comments	Revised Timescale
Health and 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 that health and safety risk assessments have been completed and/or updated for all areas of significant risk.</p>	31/03/2017	A programme of work for risk assessments has been planned for implementation once additional Safety Team resources are in place. See above.	31/12/2017
Health and Safety	<p>Ensure iTrent (the HR system) contains all the information required to trigger DSE review assessments at the appropriate time.</p> <p>Remind managers to ensure that DSE assessments are completed for staff at the correct intervals, and to update iTrent to reflect the completed assessments.</p>	31/03/2017	The HR and Payroll Business Partner will be asked to address this issue on return from maternity leave. A report will be produced periodically and circulated to managers to action where records have not been updated.	28/02/2018

Audit	Agreed Action	Original Target Date	Management Comments	Revised Timescale
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 with the Legal Services Manager. The previous Solicitor has now left the Council and a Principal Lawyer is being recruited. Timing is dependent upon an evaluation of the resources available.	TBC
Fees and Charges	Sports and Recreation - the hourly rate being charged for On track officers is different to that being charged for Play Rangers and therefore is inconsistent across the team.	30/09/2017	This action is being addressed as part of a wider pricing review across the service.	31/12/2017
ICT Infrastructure Resilience	The Security and Compliance Lead Officer to discuss patching with the HSO project lead and obtain a documented response.	30/06/2017	A response is awaited from the project lead and is being actively chased.	30/11/2017
ICT Service Desk	The benchmark performance metrics and how they should be interpreted to be documented within the service delivery document and Confluence.	31/08/2017	The ICT Service Desk Manager has advised that following investigation the current service desk system does not have the capability and functionality required to effectively manage performance of the service. The system is going to be replaced by June 2018 and it is expected that the new system will have the required capability.	30/06/2018
ICT Service Desk	The Service Delivery Lead should raise with SysAid / the user forum group the possibility of being provided with some basic data on the makeup of the category group populations used for the benchmarking stats.	31/08/2017		30/06/2018

Audit	Agreed Action	Original Target Date	Management Comments	Revised Timescale
ICT Service Desk	The ICT Manager and the Service Delivery Lead should agree a date for the first performance reporting period.	31/08/2017	The issues highlighted were all assessed as Low risk and in the opinion of the Corporate Assurance and Improvement Manager the delay does not significantly impact on the overall effectiveness of the Council's framework of control.	30/06/2018
ICT Service Desk	A response from SysAid in respect of the lack of due dates showing in reports should be requested.	31/08/2017		30/06/2018